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BUYER POWER IN FOOD RETAILING: THE EUROPEAN EXPERIENCE[*]

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Abstract

Across the European Union, concentration in food retailing at the national level has been increasing for some time. At the same time, multinational retailers have been extending their international reach. In the process aggregate concentration has risen sharply over the last few years. In addition, the presence of national buyer groups, representing different retail interests, adds to the characterisation of procurement markets as highly concentrated. Also at the aggregate level, cross-border buyer alliances amongst large retailers have emerged. This paper considers the implications of these features for the changing patterns of retail competition and the impact on food producers, supplier competition and economic welfare. In particular the scope and forms of buyer power exercised by increasingly powerful retailers are considered. The European experience points to increasing dominance held by retailers in the food supply chain, particularly over the terms and conditions of supply. This raises concerns about potential anti-competitive effects at the supplier level where buyer power can distort producer competition. It also raises concerns about distortion of competition at the retailer level where the advantageous terms negotiated by powerful multiple retailers can be used to undermine the competitive position of smaller retailers.

1. Introduction

Retailers represent the final and therefore the most visible point of the food supply chain for most consumers. Developments at this level consequently have a direct effect on consumer interests in relation to price, choice and quality of food products. In the last couple of decades the face of food retailing has changed significantly with the emergence of new store formats and the increased prevalence of large retail chains. These developments have offered consumers increased shopping convenience through superstores offering one-stop food shopping. However, with consumers' shopping habits changing in favour of these large-store formats the consequence has been a sharp decline in the number of traditional and specialist retailers. This pattern of development has been common across much of Europe.

However, it is not just consumers that have been affected by these developments. As food retailing has consolidated and concentrated as an activity, large chain-store retailers have emerged commanding significant shares of national markets. This in turn has offered these firms the possibility

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[*] This paper draws heavily on earlier collaborative work with Roger Clarke, Stephen Davies and Michael Waterson.

of being able to exercise substantial buyer power over their suppliers. With their control of shelf space and limited retail competition offering few alternatives for suppliers seeking a route to market, these large retailers are in effect “gatekeepers” for access to consumers. This in turn offers these large retailers the prospect of obtaining price concessions from suppliers as well as being able to charge suppliers directly for access to their stores (e.g. through listing charges or shelf-space fees). In this sense, the balance of power in supplier-retailer relations increasingly lies firmly with retailers.

This paper considers the consolidation process that has taken place in food retailing in Europe and its effects on retailer-supplier relations. The next section illustrates the pattern of retail concentration across the different member states of the European Union, highlighting not just the extent of control by the major retailers but also the development of national buyer groups and cross-border buying alliances influencing procurement markets. The implications for food producers are considered in Section 3. Finally, the Conclusion considers the economic welfare effects of these developments and possible public policy responses to situations where retailer developments and practices lead to anti-competitive outcomes.

2. Consolidation in European Food Retailing

From a once largely fragmented sector, food retailing and procurement in Europe has become increasingly concentrated both at the national level and at the aggregate EU level. Where once retail markets were highly fragmented, consisting predominantly of traditional independent retailers, they have become highly consolidated, driven by a process of organic growth and mergers by leading retailers. The result has been the marginalisation of small independent retailers, restricted to acting as convenience stores (for so-called top-up shopping), and market domination by a limited number of large-format, multiple-store retailers that attract the bulk of consumer spending. Increasingly, the very largest retail corporations have also sought to extend their operations internationally, in the process increasing aggregate concentration across the EU.

The consolidation process has occurred across all countries to a greater or lesser extent. As Table 1 shows, there is variation in the levels of retail concentration across EU member states, but the general trend is one of apparent relentless increase over time. As illustrated by the Table there have been notable increases in the market share controlled by the five leading retailers in particular countries, and overall the (weighted) average concentration across the 15 member states increased by 20% over the six year period shown.

Table 1 - Five-Firm Concentration (%) in Grocery and Daily Goods Retailing for EU Member States (1993-1999)			
	1993	**1996**	**1999**
Austria	54.2	58.6	60.2
Belgium+Luxembourg	60.2	61.6	60.9
Denmark	54.2	59.5	56.4
Finland	93.5	89.1	68.4
France	47.5	50.6	56.3
Germany	45.1	45.4	44.1
Greece	10.9	25.8	26.8
Ireland	62.6	64.2	58.3
Italy	10.9	11.8	17.6
Netherlands	52.5	50.4	56.2
Portugal	36.5	55.7	63.2
Spain	21.6	32.1	40.3
Sweden	79.3	77.9	78.2
UK	50.2	56.2	63.0
EU 15 (weighted av)	**40.7**	**43.7**	**48.9**

Source: Estimates based on data from Corporate Intelligence on Retailing's *European Retail Handbook.*

However, it is not only at the national level that significant increases in concentration have occurred.[1] Increasingly, the major retailers have sought to expand internationally. Wal-Mart, the world's second largest company with $193bn global turnover and 1,244,000 employees, has become a major player in Europe through key acquisitions in the UK and Germany. At the same time, Carrefour's recent merger with Promodes has created Europe's largest and the world's second largest retailer, consolidating its dominant position in France and Spain and increasing its position considerably in other countries. Other major retailers, notably from Germany (Rewe, Metro, Aldi and Edeka), France (Intermarche, Auchan and Leclerc) and the UK (Tesco), have meanwhile strengthened their domestic and international positions.

Indeed, the concerted international as well as domestic expansion by the very leading food retailers has meant that they are increasingly taking a larger share of overall sales away from other retailers. The result has been a sharp increase in aggregate concentration across the EU. The top ten retailers in the EU now account for over 30% of sales of all food and daily goods. As shown in Table 2, this level has increased by some 25% in just six years. Moreover, it is clear that the top ten, or at most the top twenty, retailers are pulling away in growth terms from the rest. For instance, while the share accounted for by the leading 50 retailers was 49% in 1999, the level had only increased by 7.7%

1. It should be noted that the market base in Table 1 is the retail sales of all food and all daily items. Accordingly, these figures understate the level of concentration specific to items sold as prepared grocery or daily goods and predominantly identified with grocery stores. Other sources tend to show higher levels of retail concentration against this narrower base. For instance, AC Nielsen figures show that for 1999 the market shares of the five majors in grocery were in Austria 93%, Belgium 72%, Denmark 84%, Finland 83%, France 83%, Germany 76%, Greece 45%, Italy 31%, Netherlands 95%, Portugal 54%, Spain 51%, Sweden 95%, and UK 71%. Also, figures vary by store size classes. In the UK, for example, the Competition Commission (2000) found that the top five retailers accounted for 69.2% of sales of grocery and daily products but that the top five grocers accounted for 75.6% of stores over 600m2 and 89.3% of stores over 1,400m2 - see Bell (2000) for further discussion.

over the previous six years. As evidenced by the breakdown of rankings into decile groups, it is apparent that only the top two groups (1-10 and 11-20) increased their share, while those ranked lower accounted for reduced shares over time.

Table 2 - Aggregate Concentration in Grocery and Daily Goods Retailing for the European Union (1993-1999)

Share of firms Ranked:	1993	1996	1999	1993-1999 % change
1-10	24.5	27.4	30.6	+24.9%
11-20	11.3	12.6	12.4	+9.7%
21-30	5.0	4.9	3.7	-26.0%
31-40	2.9	3.0	1.8	-37.9%
41-50	1.8	1.4	0.5	-72.2%
Top 50	45.5	49.3	49.0	+7.7%
Top 30	40.8	44.9	46.7	+14.5%
Top 20	35.8	40.0	43.0	+20.1%
Top 10	24.5	27.4	30.6	+24.9%

Source: Authors' estimates based on data from CIR's *European Retail Handbook.*

The evidence from Tables 1 and 2 clearly points to a considerably more consolidated retail sector at the national level as well as at the Community level. The leading retailers have strengthened their domestic positions and have expanded internationally to the point where a handful of leading players account for a large proportion of retail sales of food and daily products across Europe.

It is on these major retailers, with their enormous buying power, that the livelihood of most suppliers depends. However, Tables 1 and 2, while reflecting consolidation in retail markets, do not give a full indication of the concentration facing suppliers in terms of retail procurement markets. In many EU countries buyer groups are prominent. They tend to be in one of two forms, representing either many small retailers (e.g. Euromadi and IFA in Spain) or two or more larger retailers (such as Opera representing Casino and Cora in France). The key aspect is that the buyer group purchases collectively on behalf of members that remain independent retailers, striving to obtain benefits and discounts from suppliers similar to the largest integrated retailers.

Table 3 – Five-Firm Concentration Ratios Adjusted for Buying Groups, 1999			
	Excl BG	Incl BG	Buying groups in top 5
Austria	60.2	58.6	
Belgium/Lux	60.9	66.0	BLOC
Denmark	56.4	76.6	Supervib
Finland	68.4	70.5	Tradeka/Elanto
France	56.3	64.7	LUCIE, ITM, Opera
Germany	44.1	52.5	Markant
Greece	26.8	33.5	Elomas, Eloniki, ORA
Ireland	58.3	58.3	
Italy	17.6	26.4	ICMS, Italia Distribuzione, Intermedia, Mecades
Netherlands	56.2	71.7	SuperUnie, TSN
Portugal	63.2	67.0	Uniarme
Spain	40.3	63.7	Euromadi, IFA
Sweden	78.2	80.6	Axfood Sviege
UK	63.0	56.2	
AVERAGE	**53.6**	**60.5**	

Key: Excl (Incl) BG means measured excluding (including) buyer groups.
Source: Authors' estimates based on data from CIR's *European Retail Handbook* and trade sources.

Taking into account such buyer groups, Table 3 shows adjusted five-firm concentration levels across the EU member states. As can be seen, adjustments are made for eleven of the member states, in each case increasing the value of the concentration ratio. The (unweighted) average across member states now increases by 7% points to over 60%, and only Greece and Italy lie below 50%.

In addition to buyer groups that act at the national level, such as those cited in the Table 3, a number of significant cross-border buying alliances have emerged in the last few years. Table 4 shows the constituent members of each of the seven main alliances and their aggregate turnover.

As can be seen, these alliances tend to have only one alliance member from any member state (i.e. generally they are not direct competitors). In terms of activity, they illustrate various degrees of collaboration between the sharing of buying price information and acting as a single purchasing unit, as well as often collaborating on the sourcing of private label products [see Dobson Consulting (1999, Appendix 2) for details]. Their collective significance is immediately apparent in terms of their joint turnover, estimated for the seven alliances listed at over E340bn, i.e. around two-fifths of the total EU market estimated at E845bn for 1999.

Table 4 - Cross-border alliances	
Alliance (inc. members)	**Combined EU turnover 1998/9 (bn Euros)**
EMD	**116.8**
Markant Handels (Ger), ZEV Markant (Au), Euromadi (Sp), Leclerc (Fr), Delhaize Le Lion (B), ORA (Gr), Selex (It), Esselunga (It), Unil A/L (Nor), Axfood Sviege (Sw), Nisa Today's (UK), Musgrave (Ire) (+ EMD (Cz), Delvita (Cz), Honiker (Hun)) (N.B. most EMD members are national buying groups inc. wholesalers)	
AMS	**81.9**
Ahold (Nl), Casino/Opera (Fr), Edeka (Ger), Dansk Supermarked (Dk), ICA (Sw), Hakon (N), Kesko (Fi), Jeronimo Martins (P), Superquinn (Ire), Safeway (UK)	
INTERCOOP/NAF INT	**39.7**
Coop Italia (IT), Eroski (Sp), CWS (UK), FDB (Dk), KF (Sw), NLK (Nor), SOK/Tradeka (Fin), Coop Schleswig-Holstein (Ger) (+ Coop Hungary)	
EUROGROUP	**35.2**
Laurus (Nl), Rewe-Billa (Ger/Au) (+Coop Schweiz (Swtz))	
SED	**27.4**
Sainsbury (UK), Esselunga (It), Delhaize "Le Lion" (Nl)	
EUROPARTNERS	**21.4**
Superunie (Nl), Somerfield (UK), Cora (Fr) (+ Colruyt (B) – Cora (Fr), from 2000)	
BIGS	**19.0**
Spar International (Ger/Gr/Dk/Au/Sp/Ire/Fr/Nor), Spar Landmark (UK), Axfood (Sw/Fi), Despar (IT), Laurus (Nl), Unidis (B) (+Bernag Ovag (Swtz))	

Source: updated from Dobson Consulting (1999).

While the listed alliances do not include all the very largest retailers, they include many of them. Of the top ten ranked retailers only Carrefour, Tesco, Metro, Aldi and Auchan are absent from the above list.[2] Taking into account these five retailers, together with the largest five alliances, combined sales of the ten leading buying groups are estimated at E443bn, i.e. just over half of all EU food sales.

Seen in this light, it is not just the activity of international expansion by the leading multinational retailers that is driving greater integration of markets on the procurement side, but also alliances of nominally independent retailers. It is this combined force which food and daily goods suppliers face,

2. The top 10 food retailers for 1999 ranked by sales in the EU were, in descending order, Carrefour (E43.6bn), Intermarche (29.9), Tesco (27.1), Rewe (25.3), Aldi (25.1), Auchan (24.3), Metro (23.3), Edeka (23.5), Sainsbury (18.6), Leclerc (17.7).

affecting the prices that they can command increasingly at the international level when operating beyond the domestic level. Such moves are having important effects on the level of supplier-retailer relations as procurement shifts from being an activity at predominantly a national level to being an increasingly international one as the multinational retailers and cross-border alliances seek to strike common deals which apply across different member states.

Moreover, as the inter-linkage extends between membership of national buying groups and cross-border alliances, coupled with minority shareholdings and full take-overs by the multinational retailers, the potential for information exchange and price comparison increases. Indeed it is now possible to see the potential for exchange of price information across most of the cross-border alliances given the extent of either formal or informal linkages (i.e. whether by full or partial ownership, joint ventures, buying group membership or development alliances).

The result of all this activity looks particularly favourable for the largest retailers. With their control of domestic retail markets and their increasing international positions, the powerful store groups are able to wield their bargaining power to extract beneficial trading terms from suppliers pressurised into making concessions in order to gain access to their customers. The superior trading terms obtained by the leading retailers further reinforces their competitive advantage over smaller rivals, which in turn leads to further consolidation at the retail level. The process is one of a virtuous circle for the very largest retailers. Size and market share beget bargaining concessions from suppliers which reinforce cost advantages over smaller rivals enabling the large retailers to selectively reduce their retail prices which in turn increases the large retailers' sales and market share, and so on. It is possible that national buying groups and cross-border alliances amongst the smaller firms may act to temper this advantage for the large integrated groups but the general impression is that consolidation is set to increase further at the national and Community level. In particular, multinational retailers looked to be particularly advantaged where they can use their aggregate scale to penetrate new markets while continuing to consolidate their existing positions.

As yet, competition authorities have appeared to be unwilling to deter such consolidation activity, recognising the possible efficiency benefits, unless it results in strongly dominant positions and there is a clear adverse impact on a national market (Dobson and Waterson, 1999). For example the European Commission prohibited the proposed merger between Kesko and Tuko in Finland which would have offered the combined enterprise a national market share of 60%.[3] In the case of Rewe's acquisition of Julius Meinl in Austria, store divestments were instructed in regions where the combined enterprise would control 65% or more.[4] However, for other mergers that have had a significant concentrating effect at the aggregate EU level, notably Metro/Makro[5] and Carrefour/Promodes[6], these have been allowed by the EC to proceed relatively unhindered. Similarly, national competition authorities have generally shown little appetite for blocking or limiting greater retail concentrations. However, the situation may yet change as concentration levels increase further, giving rise to a greater prospect of mergers resulting in concerns over either single-firm or joint dominance.

3. Case No IV/M.784 (OJEC L110, 26/4/1997).

4. Case No IV/M.1221 (OJEC L274, 23/10/1998).

5. Case No IV.M1063 (OJEC O46, 11/2/1998).

6. Case No IV.M.1684 (25/1/2000). There were limited conditions agreed with the EC, including Carrefour selling its 42% stake in Cora as well as making a limited number of store divestments in France and Spain.

3. Implications for Food Producers

With the substantial consolidation of retail and procurement markets at both the national and aggregate EU level, the nature of the supply chain has changed considerably. Where manufacturers may traditionally have driven distribution by developing brands and then used a network of wholesalers and retailers to sell and distribute goods to consumers, it is now retailers who mostly drive the supply chain. Large retailers have dispensed with the need for a separate wholesaling function by integrating this element into their business, in the process implementing sophisticated logistics systems based on regionalised warehousing with subsequent distribution to their own stores. At the same time, the large retail groups have become far more active in sourcing product ranges to meet consumers' needs, using EPOS data to gauge demand more effectively, instructing suppliers to tailor products for their particular needs, and developing own-label product ranges to compete against manufacturer brands.

The upshot of this revolution has been that producer market power has largely given way to retailer buyer power, where retailers hold the whip hand over producers (see Bell *et al*, 1997). The scale of operations of the major retailers and their control of purchases means that they are able effectively to dictate terms and conditions to producers. Through aggressive bargaining strategies, including the use of de-listing tactics, and the increasing use of auctions for awarding contracts, retailers have been able to drive down the prices and margins that producers receive. Allied to these moves has been the increasing use of vertical restraints placed on producers. These buyer-induced restraints generally take one of two forms: either aimed at further rent extraction or limiting producers' freedom or incentives to supply elsewhere. The first form includes listing charges, shelf-space fees ("slotting allowances"), promotion support payments and retroactive discounts on goods already sold. The second form includes exclusive supply obligations and other "non-compete" contract clauses as well as most-favoured-nation type contracts.

As the report by the Competition Commission (2000) illustrates, these practices are widespread in the UK. In its report, the Competition Commission identified 52 practices and found that 30 of these when exercised by five leading retailers gave rise to a "complex monopoly" (i.e. they restricted or distorted competition in the market) of which 27 were considered to be against the public interest. The practices identified by the Competition Commission covered a wide range of aspects in regard to contractual and operational relations concerning trading with suppliers. The Competition Commission usefully grouped the practices into eight different categories. Table 5 lists these categories and shows the number of different practices in each category found to operate against the public interest based on distortion to supplier competition and/or distortion to retailer competition. As can be seen, while competition concerns were raised for all categories, four categories accounted for all but two of the identified practices found to be operating against the public interest.

Table 5 – UK Supermarket practices related to relations with suppliers

Category of Practices	Number of Practices Against Public Interest
Payments for access to shelf space	4
Imposing conditions on suppliers' trade with other retailers	0
Applying different standards to different suppliers	1
Imposing an unfair imbalance of risk	10
Imposing retrospective changes to contractual terms	6
Restricting suppliers' access to the market	0
Imposing charges and transferring costs to suppliers	5
Requiring suppliers to use third party suppliers nominated by the retailer	1

Source: Competition Commission (2000).

At the recommendation of the Competition Commission, a code of practice, overseen by the Office of Fair Trading, has recently been established. This is intended to eliminate or at least restrict these anti-competitive practices with compliance required by the four largest supermarket groups (each accounting for in excess of 8% of the retail grocery market).

While the Competition Commission's report provides detailed coverage for the UK, it is apparent that similar practices occur in other parts of Europe as well – see Dobson Consulting (1999) and Clarke *et al* (2002). Spain, for instance, offers an interesting case where the large retailers commonly adopt a two-step procedure in dealing with suppliers. In the first stage prospective suppliers are selected (using as criteria price, interest in the brand, guarantee of supply and other factors). The second step is the elaboration of what is commonly called "*plantillas*", in which the retailer makes explicit the concrete conditions of the supply relationship. Standard conditions include a listing fee, slotting allowances and end-of-aisle fees for shelf space, fixed end-of-year rebates, return of unsold units, contributions to special promotions, and demands for long terms of payment that do not match product turnover.[7]

In addition to these contractual elements there have been regular moves by individual retailers in Spain to seek additional "one-off" payments after contracts have been agreed. Examples include contributions to store openings, remodelling and extensions as well as retrospective discounts over sales in the previous period in the event of mergers, acquisitions ("wedding gifts") or anniversaries. These latter practices appear as deliberate exploitation of the dependency of suppliers by large retailers and are not unique to Spain. Even in countries where prohibitions exist on practices that exploit supplier dependency such as in France (following the 1996 Galland law) and Germany (under the 1998 Act on Restraints on Competition – *Gesetz gegen Wettbewerbsbeschrankungen*) such practices may nevertheless continue given suppliers' reluctance to bring cases to court.

While the buyer power of large retailers may have distorting effects on the retail market, it is clear that its most immediate effects are likely to be on competition at the producer level, and here again competition may be distorted (Dobson *et al*, 2001). Small producers, in particular, are likely to suffer when they are unable to resist retailer buyer power, forcing them to cut prices to the point where only the most efficient can survive. The longer-term effect will be to threaten the viability even of efficient producers when investments are undermined by inability to recover fixed costs as a result of

7. On the latter aspect, a typical time to payment on an invoice is around 120 days compared to other EU countries where 30 days appears the norm – see Cruz *et al* (1997) and Dobson Consulting (1999).

producers being forced to price at (short-term) marginal cost. Moreover, even larger producers may be deterred from making product and process investments if buyer power prevents them making an adequate return to cover the costs. As a consequence, producer innovation may be retarded.

The oligopsonistic power of the retailers is accordingly likely to impact on most producers. Only those producers that have very strong brand power of their own may be able to resist retailers' increasing buyer power. For those producers that do not possess such power, arising through product identity that appeals directly to final consumers, then margins can be expected to be driven right down. This is particularly apparent for own-label producers due to the non-attributable identity of their products where intense competitive tendering (with lowest price winning) can be expected to strip all profits from the supplying industry. This does not just apply to packaged own-label goods producers. The lack of product identity is particularly apparent at the farm gate and primary producers (farmers and growers) will need to react to the increased oligopsony power if they are to remain viable businesses. This is only likely to occur through increased farm-level efficiencies or by finding mechanisms to retain product identity and thus exert some counter market power to the retail buying groups.

4. Conclusion

It is undeniable that the profound changes that have taken place in food retailing over recent years have offered considerable economic advantages. Heavy investment by retailers has allowed them to reap economies of scale through the operation of large-store formats and the benefits from operating large chains of stores. This has been supported by the implementation of sophisticated logistics and distribution systems married with significant investment in new technology (such as Electronic Point of Sale). The result has been significantly improved efficiency with greater sales per outlet and per employee.

Generally these changes have been beneficial for consumers. Greater convenience has been afforded by the development of one-stop shops offering in excess of 20,000 product lines and it is conceivable that lower prices have occurred where the cost savings from the improved efficiency have been passed on to consumers. The cost for consumers, though, has been the been the decline of traditional retailing, offering specialisation or location convenience, and a move towards greater homogenisation of retailing where fascias are fewer in number and have greater similarity in the retail offer (i.e. in respect of the products, service and presentation offered). In some areas, the decline in competition and alternative stores for consumers has already reached the point where store choice has become very limited. This was for example evident from the EC's consideration of the Kesko/Tuko and Rewe/Meinl proposed mergers. With further consolidation at the retail level this problem of an absence of local competition may be expected to increase and become a more widespread feature across member states. This particular aspect calls for vigilance by competition authorities and consideration of whether instructed store divestments should be used to ensure that local competition remains effective. Models of countervailing power (e.g. Dobson and Waterson, 1997) show that the impact on prices of increased selling power may easily outweigh the downward pressure caused by increased buying power. Given planning constraints in most of Europe, this threat must be seen as real.

While consumer welfare has been the prime focus of public concern and interest by competition authorities, the aspect of food retailers exercising monopsony power as well as monopoly power has come to prominence. Indeed, consideration of the effects of retail buyer power was not only a key feature of the UK Competition Commission's investigation but has also been an aspect of recent EC decisions on retail mergers. However, whether protection against powerful, opportunistically behaving buyers should be afforded to suppliers remains contentious. In some countries, notably

France and Germany, so-called economic dependency laws can serve to protect suppliers against abusive exploitation, but mainly in regard to post-contractual opportunism. But cases are notoriously difficult to prove and suppliers are reluctant to make complaints (for fear of reprisals).[8] The more general approach is to consider practices in regard to whether they distort, restrict or prevent competition along the lines of EC Articles 81 and 82 or their equivalents, e.g. the UK's Competition Act 1998. But thus far authorities have been reluctant to prohibit restrictive practices placed on suppliers. Even the UK Competition Commission's findings of a number of practices serving anti-competitive purposes did not lead to the recommendation that they be prohibited outright but rather constrained by a Code of Practice.[9] More generally, authorities appear unwilling to prohibit retailer practices that potentially offer both efficiency benefits and anti-competitive effects even if they serve to reinforce buyer power.[10]

As to broader sector developments, it appears that the distinctiveness of national retail markets is being eroded. While national differences will continue in some aspects, mainly in relation to differences in consumer purchasing behaviour and the existing institutional set-ups, there is a clear trend indicating future convergence. Food retailing is increasingly becoming polarised between large hypermarket retailers and small convenience or discount store operators, with intermediate supermarket chains and unaffiliated independent retailers declining. This process is generally in place across the EU, if at different speeds. But a noticeable feature is the rate at which markets such as Spain and Portugal, until recently highly fragmented, have consolidated as a result of multinational retailer expansion into these markets. This process is being initiated in the remaining unconcentrated markets of Italy and Greece and if effective will leave nearly all EU countries with high levels of retail concentration. Indeed further afield, moves by the leading multinational retailers into Eastern Europe are already having a noticeable consolidating effect on countries such as Poland, Czech Republic, and Hungary. Thus, it is not inconceivable that at some future point retailers and buyer groups may be seeking to obtain supplies from producers on a fully European scale. Thus whilst retail markets remain local for consumers (with the typical catchment area represented by a 20-minute consumer drive time) on the procurement side the market may encompass the entire continent.

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8. Even if a case is taken up it may well fail because of the requirements of showing economic dependence, abuse and an effect on the market – see Vogel (1998).

9. For some commentators even this is a move too far in what they regard as interference in normal business practice – see for example "Leader: A super market", *Financial Times*, 27/8/2001.

10. For an interesting illustration see Davis (2001) for a review of the extensive analysis on slotting allowances conducted in the US by the FTC and other public bodies.

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