



# Brand Briefing

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## Selective distribution: brands and retailers working together for the consumer

The European Commission is soon to review its competition guidelines on selective distribution and other “vertical” agreements. The current guidelines work well, allowing brand producers and specialist retailers to work closely together, enhancing quality and choice for consumers, and strengthening competition between products and between retailers.

Most branded products serve the mass market, seeking to reach shoppers through a wide range of retail outlets, both “bricks and mortar” and online, delivering convenience. Some add value by encouraging retailers to offer additional services before and after sale, distributing their products only to those retailers prepared to invest in this extra customer service and protection.

Such selective distribution systems are part of a vibrant, diverse and competitive market, providing shoppers with a wider choice of products and a wider range of retail outlets in which to shop. They enable both producers and retailers to differentiate their offer through such benefits as the provision of information, technical advice, an enhanced shopping experience and after-sales service. It also allows producers to select the optimum retail environment for their products, selecting for example bricks and mortar outlets where on-the-spot personal advice and the ability to try a range of products deliver consumer value. For this reason, they are endorsed by current European competition guidelines. However these expire in 2010, with the European Commission expected to launch a public consultation imminently.

Some mass-market retailers, including those online, may seek to undermine these selective distribution systems, wishing to sell products without making the investments that others have made. Such free-riding threatens to reduce both consumer choice and competition (as well as removing the customer experience element), leading to a more homogenous offer to shoppers, of both product and retailer.

Some online retail sites allow other retailers to hide behind the anonymity they provide and to pose as individual sellers, allowing them to circumvent legitimate selective distribution requirements. Furthermore, where online sites consistently allow counterfeit and unlawfully imported products to be sold, consumer protection and safety are put at risk. Brand owners must be free to take action where the selling of such products is taking place.

The British Brands Group calls on the European Commission, when reviewing its guidelines, to re-affirm the diversity and choice for consumers in the UK and across Europe provided by brand producers and retailers investing and working together effectively through fair, objective selective distribution systems.

## NOTES

1. The European Commission's guidelines on the Vertical Restraints Block Exemption (VRBE), which covers rules on selective distribution, expires in May 2010. DG Competition is expected to publish a public consultation on future policy in July / August 2009.
2. Current competition rules acknowledge the acceptability of selective distribution systems where objective criteria are applied uniformly and in a non-discriminatory way, and where the criteria do not go beyond what is necessary. There are safeguards to ensure selective distribution systems are not abused by dominant companies and that criteria do not stipulate consumer pricing.
3. A wide range of products may adopt selective distribution systems, including clothing, footwear, fashion accessories, sports equipment, cosmetics, pet food, and electrical equipment. The criteria underlying a selective distribution system may cover service quality, technical advice and support and / or a special store environment.
4. The Anti-Counterfeiting Group has issued a briefing on the counterfeiting aspects of this issue, which can be found at [www.a-cg.org/guest/publications/guest\\_publications\\_member\\_reports.php](http://www.a-cg.org/guest/publications/guest_publications_member_reports.php)
5. The British Brands Group was founded in 1994 as a non-profit-making membership organisation. It speaks on behalf of brand manufacturers and seeks to deepen understanding of how brands benefit consumers, society and the economy through the provision of choice, value for money and innovation.

It represents its members collectively when commercial and regulatory issues threaten the ability of brands to deliver value and to be a positive force in society. It also provides the prime forum for its members on brand-related issues.

The British Brands Group is part of a global network of similar brand associations, and is the UK representative of AIM, the European Brands Association, based in Brussels.

For more information and further background briefings on this subject please visit the British Brands Group website: [www.britishbrandsgroup.org.uk](http://www.britishbrandsgroup.org.uk).