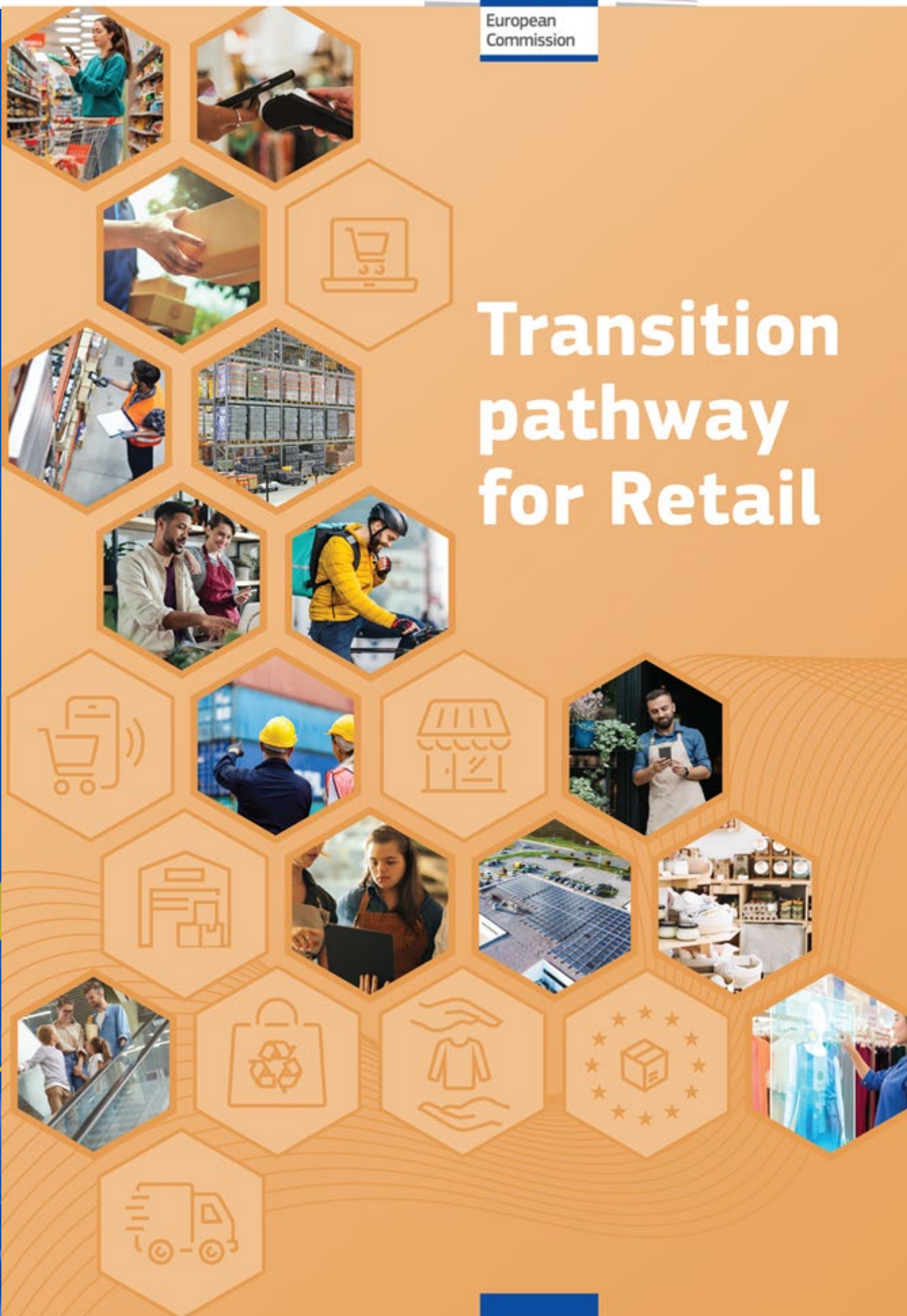




European
Commission

Transition pathway for Retail



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EUROPEAN COMMISSION

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A TRANSITION PATHWAY FOR A MORE RESILIENT, DIGITAL AND GREEN RETAIL ECOSYSTEM

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1. INTRODUCTION

On 10 March 2020, the Commission adopted a new Industrial Strategy¹ to help EU industry lead the green and digital transformations and to drive Europe's competitiveness and strategic autonomy. Following the COVID-19 pandemic, the update of the EU Industrial Strategy² highlighted the need to further accelerate the green and digital transitions in line with the EU Green Deal³ and Digital Decade⁴ and increase the resilience of EU industrial ecosystems.

In the 2021 update of the Industrial Strategy, the Commission has identified retail as one of the 14 industrial ecosystems crucial for the recovery of the EU economy. It has also proposed transition pathways for most of these industrial ecosystems based on co-creation processes with stakeholders.⁵ These transition pathways should identify current and future challenges as well as opportunities in the different ecosystems and accompany the green and digital transition of these ecosystems towards 2030 and beyond.

In July 2023, a Staff Working Document provided a vision for the future of the retail ecosystem and invited stakeholders to express their views and join the co-creation process of a retail transition pathway.

The retail transition pathway aims to encourage collaboration between all actors in the ecosystem to accelerate its green and digital transition and to improve its resilience. The primary goal of the document is to leverage existing initiatives pertinent to the ecosystem, to facilitate their execution, but also to enhance collaboration of the relevant actors to support the ecosystem in its transition. This document therefore does not aim to introduce any novel legislative actions.

This document is an outcome of a co-creation process with a broad community of retail ecosystem stakeholders. The objective now is to invite all stakeholders to engage and play their part in the co-implementation process. Following the publication of this document, the Commission will invite stakeholders to present their commitments to the transition pathway for retail and will establish collaboration processes for the co-implementation and monitoring of the work.

The follow-up of the transition pathway will be facilitated by an online stakeholder collaboration platform. The Industrial Forum oversees the transition pathways of all industrial ecosystems and will also be regularly updated on progress on the transition pathway for retail.

The document is based on the blueprint for the development of transition pathways prepared by the Industrial Forum. The building blocks have been adjusted to the specificities of the retail ecosystem and reflect priorities expressed by ecosystem actors in the co-creation process.

¹ Commission Communication, *A New Industrial Strategy for Europe*, COM(2020) 102 final

² Commission Communication, *Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery*, COM(2021) 350 final

³ European Commission, [A European Green Deal](#)

⁴ European Commission, [A Europe fit for the digital age](#)

⁵ [EU Transition Pathways \(europa.eu\)](#)

The document covers issues relevant for the retail ecosystem as a whole (food and non-food). Issues that specifically refer to food retail as part of the food system are dealt with in the Transition Pathway for the Agri-food industrial ecosystem, developed in parallel.⁶

1.1. The transition pathway co-creation process

The **Staff Working Document** (SWD) 283⁷, published on 28 July 2023, initiated the co-creation process with stakeholders by outlining the key challenges faced by the retail ecosystem in relation to the twin transition. A **targeted stakeholder consultation** was launched on 28 July and concluded on 26 September 2023, receiving 37 responses to the comprehensive questionnaire. Notably, several responses came from EU level associations representing the majority of actors in the ecosystem, underscoring the representativeness of their replies.

Two **workshops** were organised in November 2023, one focusing on the digital and green transition and the other one on resilience. Each workshop gathered about 60 participants that discussed and elaborated on actionable solutions proposed by stakeholders in the course of the targeted stakeholder consultation. In addition, a third workshop focusing on SMEs as part of the **#Revitalise Retail initiative** was held in Barcelona with over 250 participants on-site and online in December 2023.⁸

The collected input from the exchanges with and among stakeholders fueled the identification of **enabling actions** for this transition pathway.⁹ To identify the actions, stakeholders' proposals for solutions to ecosystem's challenges have been assessed against their relevance and feasibility. Each of the following thematic areas of the transition pathway concludes with **actions** that also specify the **relevant actors** regarding the implementation.

This document presents operational conclusions from the co-creation process. For more background information and data supporting the analysis, stakeholders are invited to consult the Staff Working Document (SWD) 283¹⁰. It should also be noted that the co-creation process has built on a long-standing engagement and exchanges with stakeholders in various fora, including the Services Directive Expert Group, the Social Dialogue or the Sector Group Retail of the Enterprise Europe Network.

⁶ More information at [Agri-food Industrial Ecosystem - European Commission \(europa.eu\)](https://european-commission.eu/agri-food-industrial-ecosystem)

⁷ Commission Staff Working Document (2023) 283 final: [“Co-creation of a transition pathway for a more resilient, digital and green retail ecosystem”](#)

⁸ For more information on this and previous workshops see [Revitalise Retail workshops - European Commission \(europa.eu\)](#)

⁹ The actions proposed in this document have been developed based on conclusions from the stakeholder co-creation process provided by Gino van Ossel, professor for retail management at the Vlerick Business School.

¹⁰ Commission Staff Working Document (2023) 283 final: [SWD_2023_283_F1_STAFF_WORKING_PAPER_EN_V4_P1_2864349.PDF \(europa.eu\)](#)

2. THE RETAIL ECOSYSTEM IN THE EU

The retail ecosystem plays a distinctive role among the 14 industrial ecosystems: not only is it the biggest of all ecosystems in terms of employment, number of firms and contribution to EU value added, but also the one that serves daily almost 450 million EU consumers. EU consumers spend approximately one-third of their household budget on shopping.

The retail ecosystem accounts for 11,5% of EU value added. It directly employs almost 30 million people in 5.5 million companies, 99.9% of which are SMEs¹¹. SMEs account for two-thirds of the ecosystem's employment and generate almost 60% of its value added.¹² Retail and wholesale SMEs are also the largest group among all EU-27 SMEs in the non-financial business sectors, accounting for almost 24%.¹³

The retail ecosystem covers grocery and non-grocery retail, relevant wholesale and online platforms. It is also closely interlinked with primary producers, manufacturers, importers, packaging, waste management companies, transportation and logistics service providers, postal and courier service providers, fulfilment centres, marketing, financial and payment services, shopping centres and retail real estate. Finally, at the end of the supply chain, the retail ecosystem is in a direct contact with consumers which are an integral part of the ecosystem.

The specificity of retail is its transversal nature. It acts as a distribution channel for products and, as such, it is interlinked with the majority of industrial ecosystems. However, its strongest links are with the agri-food, textiles, tourism and proximity and social economy ecosystems.

The retail ecosystem is characterised by different business models, such as integrated chains, franchise systems, cooperative models (groups of independent retailers and consumer cooperatives), independent SMEs and social economy actors. Channels of sales range from physical shops, multi- and omnichannel players (i.e., combining online and offline sales) to online-only players, platforms and marketplaces. The retail ecosystem is heterogenous also in terms of its sub-sectors. Physical retail can be divided broadly into grocery (covering not only food, but also other fast moving consumer goods (FMCG products) and non-grocery (other non-food products). These sub-sectors can be further divided into channels or segments depending on the type of shop (e.g., supermarket, hypermarket, discounter) or type of product sold (e.g., apparel & footwear, electronics or health & beauty).

¹¹ Annual Single Market Report 2022, SWD(2022) 40 final (figures calculated based on NACE codes G46 (wholesale), G47 (retail), H53 (postal and courier activities) as well as contributions from a number of horizontal services interlinked with the retail ecosystem based on an input-output analysis).

¹² Ibid.

¹³ European Commission, *SME Performance Review 2022/2023*

The retail ecosystem is a main driver of Single Market integration. It accounts for 14% of EU cross-border establishment¹⁴ which is the third highest share among the 14 industrial ecosystems.¹⁵ It enables the distribution of EU manufactured products, which is particularly important in the food supply chain where 60% of EU Member States' food and drink exports are destined for the Single Market.¹⁶ In addition, e-commerce enables retailers to sell their products abroad and consumers to benefit from the retail offer across the EU.

Within the retail ecosystem, wholesale acts as a provider of key services, such as purchasing, storing, developing and selling of goods. As business-to-business actors for many up- and downstream industries, wholesalers contribute significantly to well-functioning supply chains and provide added-value services to their customers.¹⁷

Among all service sectors, retail and wholesale provide the highest share of value added in the overall manufacturing output.¹⁸ Overall, given the important linkages between the retail ecosystem and other ecosystems, its competitiveness can trigger important (positive) spill-over effects for the whole economy.

2.1. Key challenges and opportunities

Over the past years, the retail ecosystem has been undergoing a massive transformation, driven by two major factors that are interlinked and mutually reinforcing: technology and changing consumer behaviour.

The ecosystem has also been profoundly impacted by the economic and geopolitical situation of the past years. Shop closures resulting from the COVID crisis caused major losses in the non-food retail sector and have had a detrimental effect on the viability of many retail SMEs. Further, the unjustified Russian aggression against Ukraine disrupted supply chains and pushed up inflation to levels not seen in decades. At the end of the value chains, the retail ecosystem has been particularly hit by inflation on food products, but also by high energy prices in the logistics chain and in stores, and finally by shortages of supply of some commodities. In addition, retailers experience an unprecedented rate of shop crime.

Moreover, **demographic changes**, such as ageing population, growing middle class, a growing number of single households as well as growth in urban populations have an impact on consumer preferences and the ecosystem as a whole.

¹⁴ Measured in value added generated by intra EU-affiliates, i.e., enterprises resident in a Member State over which an institutional unit resident in another Member State has control. See European Commission *Annual Single Market Report 2023*, SWD(2023) 26 final

¹⁵ Energy intensive industries account for 18% of cross-border establishment, Aerospace and Defense for 15% and Energy-Renewables for 14% equally with Retail. Ibid.

¹⁶ Data&Trends, EU Food and Drink Industry, 2022 Edition

¹⁷ Eurocommerce, *Wholesale at the Centre of Europe's Economy*, 2020

¹⁸ European Commission *Annual Single Market Report 2023*, SWD(2023) 26 final

Today, the ecosystem strives to remain competitive, keeping a difficult balance between the need to invest in the green and digital transformation and the need to guarantee low prices for consumers in the current inflationary context. Furthermore, the EU retail ecosystem faces intensified competition from third-country players, particularly from China. As their activities are often state-supported, it leads to an uneven playing field for EU enterprises. Such external pressure further exacerbates the need for EU retailers to innovate and adapt swiftly, not only to meet internal challenges, but also to remain viable amidst global market dynamics. In addition, retail formats such as hypermarkets and supermarkets are increasingly under pressure of online-only players, discounters developing their business model beyond the low-price offer and rapidly growing formats such as quick commerce.

The pandemic has had an unprecedented impact on the development of online sales. It influenced the way people buy, what they buy, and where they buy. It has put pressure on retailers, but at the same time it opened new markets and new fronts of competition for consumers. Retailers strengthened their online presence to provide consumers with a possibility of safe and contactless shopping (e.g., click & collect). The shops' investments in digitalisation and omnichannel sales, which were originally planned over several years, were often carried out in just a few months. Embracing e-commerce was also a crucial factor allowing certain SMEs to survive the crisis, retain their customers and offset the losses caused by the closure of physical shops during lockdowns.

In the case of retail, **digitalisation does not only modernise or speed up operations, but leads to a complete paradigm shift**, shifting sales entirely or partially from the physical to the digital sphere. Omnichannel retail, merging physical and online interactions of a retailer and offering consumers a seamless shopping experience, is becoming one of the most widespread business models. More advanced use of technologies such as artificial intelligence, cloud computing or blockchain are gaining on importance and are likely to shape retail in the coming years.

The role of physical stores is changing. They continue to play a key role for consumers, allowing them to see, touch and try products. However, they are now also acting as entertainment or experience centres integrating digital in-store technologies. Soon, they are likely to play a role as 3D printing centres, indoor farming hubs or circularity hubs, helping to give a second life to products or to recycle them.

At the same time, the raising awareness of both consumers and businesses about the environmental footprint of production and consumption has induced a **sustainability transition in the ecosystem** and resulted in new business models focused on rental, repair, refurbishment and resale. Consumers have been increasingly interested in information on production methods, origin and sustainability or ethical aspects of products and the demand for more sustainable, ethical and eco-design products has grown. Retailers, for their part, have been striving to make their operations greener and increase their offer of sustainable and circular products and services to respond to consumer demand. Many actors in the retail ecosystem are at the forefront of the transition showing leadership through individual commitments and pledges and/or sector charters or codes of

conduct. As an interface between consumers and suppliers, retailers have the potential to increase awareness, transparency and coordination between various actors in the supply chain and drive the sustainability change in the whole ecosystem.

Retail is the largest employer among all industrial ecosystems and therefore the **retail ecosystem workforce is key** for its well-functioning and its transition and resilience. Developing more attractive career paths with stable and quality employment and ensuring fair wages and fair working conditions will be essential to attract and retain a skilled workforce in the ecosystem and address labour shortages.

A successful transition cannot happen without the right skills. With technological progress and continuous digitalisation, labour markets need to adapt to the changing nature of today's jobs and skills policies and actions by stakeholders need to make sure workforce is equipped with the right skills for the future. The transformation will require not only analytical and technical skills, but also sustainability skills as well as soft skills such as consumer advice and communication.

Technology and automation are likely to replace retail employees in certain routine tasks. This, on the one-hand, could free up the workforce from repetitive tasks and allow them to focus more on tasks induced by the green and digital transition and on customer advice. On the other hand, it may also lead to job losses among low-skilled workers. Therefore, **re- and upskilling will be crucial to ensure that retail employees are supported in the transition.**

For the transition, the **ecosystem needs a well-functioning Single Market and a favourable business environment.** It also needs substantial financial investment in infrastructure, technology and skills. Estimates show that retailers need to invest between 0.8 % and 1.6 % of their total revenue by 2030 to transform, which is considerable for a sector characterised by low margins. This investment would be split between 0.3 % to 0.9 % of retail's total revenue for the green transition, 0.4 % to 0.6 % for the digital transition and 0.1 % for skills.¹⁹ The investment would be crucial to maintain the ecosystem's global competitiveness. For example, regarding the digital transition, EU retailers' expenditure (as a percentage of revenues) falls far behind the investments made by the leading global digital players.

Furthermore, **the transition needs to be just and fair for all ecosystem actors, including workforce, consumers and businesses of all sizes.** It needs to balance the different interests and make sure the developments leave no one behind.

As already indicated above, the **social dimension** is a key element to be considered in the context of the green and digital transition of the retail ecosystem. **The retail workforce** should be able to benefit from a fair and inclusive working environment with stable and quality employment, fair wages

¹⁹ McKinsey/EuroCommerce *Transforming the EU Retail and Wholesale sector*, 2022

and fair working conditions, gender equality and career opportunities, especially for young people.

Embracing new technology, adapting to the digital era or introducing sustainable solutions may prove difficult to retail SMEs. Their transition is often hampered by the lack of financial resources and/or skills. Also, some retail SMEs, in particular small non-food shops, may find it difficult to remain attractive to consumers. However, the continued viability of SME retailers is crucial both from an economic and social perspective. As already indicated, SMEs account for a large share of the ecosystem's employment and value added. They are a key element of the social fabric in urban and rural local communities, they offer proximity and contribute to vibrant city and town centres. Retail SMEs in rural areas can boost local supply chains and help maintain the attractiveness of these areas.

Consumers for their part, should be able to benefit from clear and transparent rules protecting them against misinformation or fraudulent behaviour of economic operators and ensuring their data is protected. The transition should also be inclusive. Some categories of consumers, such as the less digitally savvy or migrants, may miss out on the green and digital developments due to the lack of digital tools and skills or language barriers. A more competitive retail ecosystem would help consumers benefit from lower prices and a wider choice of products, which is especially relevant in the current cost-of-living crisis.

Finally, **fairness should also concern relations in the supply chain.** Recent EU legislation contributes to improving fairness along the supply chain, making the EU a better place to live and do business and allowing it to lead global change. Along the supply chain, attention needs to be paid to the fairness of relationships between all actors, with a particular focus on those that may find it difficult to embrace the transition and remain competitive such as SMEs or farmers. Collaboration is already increasing between retailers, farmers and food suppliers leading to more sustainable production to reduce the environmental impact of the value chain, provide consumers with healthier food options and ensure fairer contractual conditions and remuneration for SME suppliers and farmers.

3. BUILDING BLOCKS OF THE TRANSITION PATHWAY

3.1. Sustainable competitiveness, regulation and public governance

3.1.1. A resilient retail ecosystem

In the co-creation process, stakeholders have stressed the importance of a **supporting regulatory framework at EU, national and local level**, to ensure that companies can embrace the twin transition, increase their resilience and make full use of the Single Market.

Improving retail regulatory frameworks on retail establishment and retail operations for physical shops is even more of a priority with the quick development of e-commerce. Omnichannel retail combining online and offline is now a frequent retail model, but stakeholders emphasised that regulatory frameworks should allow businesses to innovate and develop new business models to respond to evolving consumer needs. In that context, they pointed out that it was important to ensure a level playing field between online and offline retail and to allow a fair competition with pure online players. Stakeholders also called for special attention to SMEs in that matter.

The Retail Restrictiveness Indicator (RRI)²⁰ developed by the Commission appears as a useful tool for Member States to assess the level of restrictions in each Member State and identify the issues where progress needs to be achieved. Stakeholders supported the idea that the RRI should trigger an exchange of good practices between Member States to identify tried-and-tested less restrictive regulatory measures achieving the public policy objectives pursued in a more effective and efficient way and in line with EU law. They called for regular updates of the RRI and for further revision to reflect the developments in the ecosystem and identify restrictions to new business models.

Stakeholders emphasised the need for the proper enforcement of Single Market rules, notably an ambitious implementation of the Services Directive²¹. They indicated that a more efficient notification process under the Services Directive or the TRIS Directive²² should prevent the introduction of new unjustified or disproportionate restrictions. Stakeholders also called for Member States to implement minimum harmonisation directives in full respect of Single Market

²⁰ [Retail Restrictiveness Indicator \(RRI\) - European Commission \(europa.eu\)](https://ec.europa.eu/economy_finance/retail-restrictiveness-indicator-rri)

²¹ Directive 2006/123 on services in the Internal Market.

²² Directive 2015/1535 laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services (The TRIS Directive).

freedoms. Minimum harmonisation directives allow Member States to maintain or adopt a higher level of protection at the national level provided that national rules are compatible with the rules on the functioning of the internal market.

Stakeholders highlighted the **reduction of administrative burden and the cost of compliance**, at EU, national and local level, as a necessary condition to support businesses in the transition. In particular, stakeholders pointed out the need to carry out thorough impact assessments to ensure synergies between new and existing legislation, evaluate the cumulative burden of regulations and propose ways to reduce it. A clear message was sent that the current cumulative burden and compliance costs are already too high, especially, but not only, for SMEs. Better regulation should also lead to the rationalisation and streamlining of reporting obligations in EU law, in line with the Commission objective to reduce reporting requirements by 25%.²³

They emphasised the need to make full use of available tools to remove unjustified or disproportionate restrictions to a better functioning Single Market such as the Single Market Enforcement Taskforce (SMET), the Services Directive Expert Group and infringement procedures.

Stakeholders also felt that **businesses should be supported in the implementation of legal requirements**, for example through guidance on new legislation. Transposition periods should also allow companies, in particular SMEs, sufficient time to learn and adapt before the rules become applicable. Associations should support SMEs in their compliance efforts by providing information and advice. **Regulatory sandboxes** could be useful, allowing economic operators to experiment with the practical implications of legislation in a safe environment. Finally, stakeholders stressed that **legislation should be regularly evaluated** to make sure it fulfils its objectives.

Stakeholders have also expressed concerns about the Commission Proposal for a **Late Payments Regulation**. Late payments impose a significant burden on the EU economy in many sectors including retail, particularly on small businesses. The draft Regulation aims to reduce payment delays by 35% which should bring additional liquidity and investment capacity to companies. However, stakeholders stressed that the proposal in its current shape would have a dramatic impact on the liquidity of retailers, in particular SMEs, and could jeopardise their viability and long-term resilience. The co-decision process is ongoing.

In the stakeholder consultation and the workshop dedicated to resilience and Single Market issues, **territorial supply constraints** have raised a lot of attention. These barriers, imposed by manufacturers, make it difficult or impossible in practice for retailers or wholesalers to buy products in one Member State and resell them in other Member States. Retailers and wholesalers called for solutions to tackle these practices. Some Member States authorities enquired

²³ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4965

about possible legal ways at EU or national level to solve this issue. Manufacturers did not support these proposals, calling for a better definition of the problem and an open dialogue on unfair practices on the side of retailers.

Similarly, on the issue of **European Retail Alliances**²⁴, retailers supported their pan-EU activities as a means to provide consumers with a greater choice of products and lower prices for fast moving consumer goods from large brand manufacturers, while manufacturers expressed concerns regarding the increasing bargaining power of retailers. In July 2023, the Commission closed its preliminary antitrust investigations into the practices of two international retail alliances.²⁵ These investigations identified no evidence of anticompetitive effects in terms of quality, choice and/or innovation. As indicated in the 2020 JRC Study²⁶, the impact of European retail alliances negotiations with large manufacturers of branded products on upstream SME suppliers and farmers remains uncertain and requires further consideration.

Overall, stakeholders emphasised that a better functioning Single Market was key to a more competitive and resilient retail ecosystem, enabling the necessary investment in the twin transition.

Beyond the issues of regulation and functioning of the Single Market, stakeholders have also discussed **the resilience of the retail ecosystem throughout the recent crises**. They called for an acknowledgment of the **strategic importance of the ecosystem** to provide consumers with the necessary goods and ensure continuity of economic activity in time of crisis. They consider that the ecosystem should also be allowed to react in a swift and flexible manner to crises and introduce innovative business solutions to respond to consumer needs.

Finally, stakeholders have agreed that the EU has already proposed several measures and mechanisms to enable the EU economy to face future crises²⁷ which will need to be enacted and implemented, so there is no need to propose new actions. However, policy makers should remain vigilant as to the effectiveness of these measures in practice.

²⁴ European retail alliances are created by retailers active in different national markets to cooperate in pooling some of their resources and activities, most importantly relating to the sourcing of supplies. They do not engage directly with farmers or SME suppliers, but only with large-brand manufacturers.

²⁵ See Commission's statement on Daily News 13/07/2023, available at https://ec.europa.eu/EU/presscorner/detail/en/mex_23_3847

²⁶ <https://publications.jrc.ec.europa.eu/repository/handle/JRC120271>

²⁷ Such as the proposed Single Market Emergency Instrument or the Directive on the Resilience of Critical Entities.

A TRANSITION PATHWAY FOR
A MORE RESILIENT, DIGITAL AND GREEN RETAIL ECOSYSTEM

ACTIONS	ACTORS
FOR A RESILIENT RETAIL ECOSYSTEM	
1. Improve the retail regulatory frameworks on retail establishment and retail operations.	EU/ Member States
1.1 Assess the need for reforms to support the twin transition and the resilience of the retail ecosystem, as well as the emergence of innovative business models.	Member States
1.2 Make use of the Retail Restrictiveness Indicator to monitor progress. Further develop and revise the RRI as necessary to reflect developments in the retail ecosystem.	EU/ Member States/ Private Sector
1.3 Exchange best practices to get inspired by tried and tested less restrictive measures in other Member States to achieve public policy objectives in a more effective and efficient way.	EU/ Member States
2. Ensure a better functioning of the Single Market for the benefit of all actors in the retail ecosystem:	EU/ Member States/ Private Sector
<u><i>Regulatory barriers</i></u>	
2.1 Examine retail establishment requirements, including town and country planning frameworks and procedures, to ensure they are justified and proportionate.	Member States
2.2 Remove or reduce unjustified or disproportionate restrictions on the operations of physical shops.	Member States
<u><i>Non-regulatory barriers</i></u>	
2.3 Provide solutions to address unjustified business practices such as territorial supply constraints (TSCs) through a constructive dialogue between major actors in the ecosystem, including consumers, and if necessary, envisage guidance at EU level.	EU/ Member States/ Private Sector
3. Further explore the role of European Retail Alliances in the supply chain and their impact on consumer prices and choice of products as well as upstream on SME suppliers and farmers.	EU/ Member States/ Private Sector
4. Enable the ecosystem to react in a swift and flexible manner to crises and introduce innovative business solutions to respond to consumer needs.	EU/Private Sector

3.1.2. A digitally empowered retail ecosystem

The co-creation process highlighted that favourable **framework conditions and incentives** for businesses are crucial to support a successful digital transition of the ecosystem.

Stakeholders pointed out that **a sufficiently advanced infrastructure** is not in place everywhere. There are major differences between Member States as well as within Member States, especially in rural and remote areas. This is particularly worrying as Europe is perceived as lagging behind Asia and the US. The provision of 5G and fast internet connections everywhere came out as the number one priority in terms of infrastructure for the digital transition of the retail ecosystem. While providing the necessary infrastructure for the digital transition is the responsibility of Member States, stakeholders felt that the Commission should play a role in monitoring the implementation of such projects and the progress on the structural reforms enabling the transition. A first step could be more granular reporting on the use of the Recovery and Resilience Facility (RRF) for the digital transition of the retail ecosystem.

Stakeholders also gave high priority to a **sufficiently clear and properly enforced regulatory framework** offering a guarantee for users not to face enforcement actions, to be able to preserve Intellectual Property (IP) rights, trade secrets and data confidentiality. Regulations should also **ensure a level playing field** for all businesses that offer products to EU consumers, no matter where they are established and irrespective of the sales channel they use. Stakeholders mentioned the importance of ensuring that EU rules governing the digital sphere are properly applied and enforced. They mentioned in particular the role of the Digital Services Act, the Digital Markets Act and the Platform-to-Business Regulation in ensuring a safer and fairer digital environment. They also emphasised the role of the Vertical and Horizontal Block Exemption Regulations and their guidelines in providing businesses with simpler, clearer and up-to-date rules and guidance in a business environment reshaped by the growth of e-commerce and online sales. Stakeholders also pointed at the unfair competition of certain third country traders and called for appropriate actions. The regulatory framework should also allow for innovations to come on the market faster. It would need to translate into a **reduction of administrative burden**, for example in approving standards and granting IP protection. Any new regulation should come with guidelines and no delays in supporting documents.

Another issue brought up in the co-creation process concerned the **obstacles to the development of cross-border e-commerce**. Stakeholders felt that there is a need to develop a better understanding of what prevents online traders to actively sell abroad and/or to ship products cross-border and to tackle the existing barriers. Consumers should also be able to “shop as locals” in other Member States in accordance with the Geo-blocking Regulation and companies should be available to benefit from harmonised and streamlined procedures facilitating cross-border operations such as the VAT one-stop-shop.

Overall, new digital technologies, including robotics, monitoring systems, the Internet of Things (IoT), online platforms and artificial intelligence (AI), hold immense potential to foster the twin transition in the ecosystem. These technologies will not only bring advantages to operations, but also contribute to the expanding utilisation of data. In particular, the growing volume of accessible data has the potential to significantly enhance the capability of AI algorithms. AI technology can offer innovative solutions ranging from predictive analytics and process optimisation to advanced procurement and consumer-tailored marketing strategies. Hence, it should also be enabled by a trustworthy EU framework. Regulatory sandboxes could be a useful tool to allow companies to experiment with the practical implications of legislation in a safe environment.

Retailers often deal with substantial amounts of customer data. In the co-creation process, stakeholders agreed that the EU Data Strategy, Data Governance Act and the Data Act facilitate a reliable and secure access to data and foster its use by actors in the retail ecosystem. A need for a **data space** dedicated to the retail ecosystem, possibly through common European data spaces, could be explored.

Also, **data security** is of paramount importance. However, stakeholders experience it as complex, both in terms of skills and processes and see scope for a simplification of data protection rules and opportunities. They proposed involving national retail associations as well as the Digital Innovation Hubs in providing the necessary training and information, in particular to SMEs.

Cybersecurity is seen as part of the solution for data security, although it extends of course beyond data. Stakeholders clearly express the need for an information database with all threats, which is constantly updated. It has also been pointed out that SMEs need information campaigns on cybersecurity issues to create awareness and help recognise and prevent risks.

Finally, stakeholders see a clear added value in general, and for SMEs in particular, for **events and platforms for best practice sharing**. They have pointed to examples such as information sharing through white papers, (short) webinars and (local) gatherings, organised by the EU, national and local authorities, as well as retail associations, Chambers of Commerce, Digital Hubs and public-private partnerships. Some suggest complementing best practice sharing with setting up pilots of certain projects relevant for retail businesses. Such best practice exchange should be supported by the relevant **networks and hubs**, which should cooperate closely with local retail associations to make sure the information reaches SMEs. The dissemination tools should also be tested with SMEs. The support to companies should also be linked to the available targeted funding possibilities or Horizon Europe projects.

ACTIONS	ACTORS
FOR A DIGITAL RETAIL ECOSYSTEM	
5. Support investment in digital infrastructure and solutions to enable retailers to embrace digital transition. This could include broad 5G and fast internet connections coverage, protection against cybersecurity threats and technological solutions easily available to SMEs.	Member States/ Private Sector
6. Facilitate cross-border e-commerce within the EU <u>Develop a better understanding of what prevents online traders to actively sell abroad and/or to ship cross-border:</u> 6.1 As part of the prospective postal study requested by the Council ²⁸ , assess the possible developments of the EU postal sector and explore, developing various scenarios, the prospective effects of a potential adaptation of the regulatory framework ²⁹ in the future. The assessment could also include an analysis of the evolution of cross-border parcel delivery prices.	EU
6.2 Engage in a dialogue on the Platform-to-Business Regulation to address the issues of persisting unfair practices and raise online traders' awareness of their rights.	EU/Private Sector
6.3 Assess remaining obstacles encountered by traders in engaging further in cross-border e-commerce.	EU
<u>Ensure that EU consumers can “shop as locals” in accordance with the scope of the Geo-blocking Regulation:</u> 6.4 Consider ways to develop a better understanding of the impact of the Geo-blocking Regulation on business-to-business transactions, with a particular focus on SMEs.	EU

²⁸ Council Decision (EU) 2022/1327 of 26 July 2022

²⁹ Postal Services Directive (97/67/EC) amended by Directives 2002/39/EC and 2008/6/EC and Regulation on cross-border parcel delivery services (EU) 2018/644).

A TRANSITION PATHWAY FOR
A MORE RESILIENT, DIGITAL AND GREEN RETAIL ECOSYSTEM

7. In line with the actions proposed in the 2024 AI Communication and the forthcoming AI Act, facilitate the development & deployment of trustworthy AI technologies and solutions in the EU, notably solutions powered by general purpose AI models, to ensure that benefits of AI systems are fully utilised in the retail ecosystem.	EU/Member States/ Private Sector
8. Identify needs for AI solutions in the retail ecosystem, specifically to be addressed by the GenAI@Europe programme, via exchanges on the Transition Pathway Platform.	EU/Member States/ Private Sector
9. Make use of the potential of the EU Data Strategy, Data Governance Act and the Data Act to facilitate reliable and secure access to data and foster its use by actors in the retail ecosystem.	Member States/ Private Sector
10. Assess the need for a data space dedicated to the retail ecosystem, possibly through common European data spaces.	EU/Member States/ Private Sector
11. Showcase best practices on the Transition Pathway Platform to stimulate the uptake of innovative technologies and raise awareness of existing opportunities.	EU/Member States/ Private Sector
12. Encourage or facilitate the matching of the supply side (creation and development of new technologies) with the demand side (the retail ecosystem), notably via the Enterprise Europe Network.	EU/Member States/ Private Sector
13. Provide targeted support to retail SMEs to increase their digital presence and spur their digital transition.	EU/Member States/ Private Sector
13.1 Mobilise Digital Innovation Hubs to provide targeted advice to retail SMEs.	EU/Member States/ Private Sector
13.2 Mobilise the Enterprise Europe Network to provide targeted support to retail SMEs across the EU, notably encouraging a larger participation of national Chambers of Commerce in the EEN Sector Group Retail.	EU/Member States/ Private Sector
13.3 Encourage actors in the retail ecosystem to engage in industrial clusters to benefit from increased collaboration at the local and regional level.	EU/Member States/ Private Sector

to test collaboration under a temporary exemption from competition rules.³²

Stakeholders were also aligned on the necessity to ensure that national rules for i.a. **sorting, recycling, labelling and Extended Producer Responsibility** do not fragment the Single Market. Proliferation of rules adds to the complexity and creates additional costs for businesses. The same applies to sustainability reporting standards. Member States should also ensure that voluntary sustainability certification schemes are mutually recognised and do not create obstacles to the free circulation of goods.

Another important issue raised in the co-creation process concerned the **need to educate and inform consumers to nudge them towards sustainable choices**. Stakeholders see potential for such actions at national level, for example through educational campaigns to increase consumer awareness, understanding and interest in sustainable choices. The campaigns should also target education authorities and training providers who could adapt school curricula. The Commission should continue increasing businesses' focus on sustainable production and building demand for sustainably produced consumer goods. Retailers have an important role to play in the shift towards more sustainable products. They directly interact with consumers and can **nudge them to change consumption habits**, for example through a diversification of their product range and supplier base or targeted communication and marketing strategies. They can also leverage emerging trends by providing market access to innovative sustainable companies or through their private label products. Finally, consumer associations and NGOs can also develop campaigns to drive the change. **Collaboration and information sharing along the supply chain**, in line with competition rules, can also improve sustainability performance of the different actors, both in terms of their operations as well as in terms of the development of more sustainable choices for consumers. Retailers can, for example, encourage suppliers to use more recycled or bio-based plastics/materials or feed consumer preferences back to suppliers to help them better tailor their offer to the demand.

Stakeholders highlighted however that such collaboration should be supported by understandable, practical guidance from the Commission and the Member States on the application of the Horizontal and Vertical Block Exemption Regulations. Stakeholders also stressed that they are already very active in supporting the green transition of the retail ecosystem and that they participate in

³² The Horizontal Block Exemption Regulation (HBER) adopted in July 2023 and its guidelines covers, among other issues, sustainability agreements to clarify that the antitrust rules do not stand in the way of agreements between competitors that pursue a sustainability objective. Also, in December 2023, Commission adopted Guidelines on Article 210a of Regulation (EU) No 1308/2013 (CMO Regulation), which aim to facilitate the adoption of sustainability agreements along the agricultural and food supply chain by explaining how to fulfil the conditions set out in Article 210a CMO for the exclusion of certain sustainability agreements from competition rules. The Guidelines also provide concrete examples about ways in which agricultural producers can cooperate with retailers and other chain actors for a greener agrifood supply chain.

a **number of relevant international, EU or national level initiatives**, such as the EU Green Consumption Pledge, the UN Race to Zero or the Code of Conduct for responsible food business and marketing practices.

Finally, the co-creation process highlighted the specific **needs and constraints of retail SMEs** to embrace the green transition, such as insufficient awareness of available options of funding and training, lack of resources etc. As for digitalisation, the Enterprise Europe Network and its Sustainability Advisors as well as the Sector Group Retail could play a role in supporting SMEs with know-how and best practices and providing a useful match-making platform with other stakeholders.

ACTIONS	ACTORS
FOR A GREEN ECOSYSTEM	
14. Encourage investment in green technologies:	
14.1 Simplify permit procedures for green installations needed in the retail ecosystem such as solar panels on rooftops and parking lots, grid connection for electric vehicle charging points in parking lots, wind power, etc.	Member States
14.2 Facilitate sorting, reusing and recycling waste and/or products themselves providing appropriate infrastructure and facilities.	Member States/ Private Sector
14.3 Develop and implement a long-term strategy for upgrading the energy grid to take up excess self-generated energy.	Member States
14.4 Support eco-renovation of stores to increase thermal insulation, sustainable heating, etc. in the context of the Renovation Wave. ³³	Member States
15. Contribute to the increase of available clean energy in the market through local energy communities, involving business actors and citizens, contributing to electrification, lowering energy bills and creating jobs in the local area.	EU/ Member States/ Private Sector
16. Encourage the exchange of best practices on green transport solutions and greener transport alternatives in last-mile deliveries through the Transition Pathway Platform.	EU/ Member States/ Private Sector

³³ The relevant provisions on the renovation of non-residential buildings (including stores) are currently discussed in the context of the revision of the Energy Performance of Buildings Directive (EPBD).

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17. Encourage further development and uptake by businesses and consumers of repair, second-hand and reuse markets, notably by developing specific requirements in Ecodesign for Sustainable Products Regulation (ESPR) delegated acts providing information on reparability via the Digital Product Passport, financial incentives (e.g., reduced VAT on second-hand products, exempting food donations from VAT, direct financial support, etc.) and exchange of best practices on the Transition Pathway Platform.	EU/ Member States/ Private Sector
18. Support the smooth application of the Digital Product Passport by closely associating businesses to its design and implementation.	EU/Private Sector
19. Ensure easy access and use by all businesses and notably SMEs, for instance by providing adequate information including guidance, ensure targeted and specialised training, and provide specific assistance and support, including financial, to SMEs active in the manufacturing of products for which ecodesign requirements are set in ESPR delegated act.	EU/ Member States/ Private sector
20. Verify that national obligations for inter alia sorting, recycling, labelling and Extended Producer Responsibility are not fragmenting the Single Market and adding costs for retail companies trading cross-border.	EU/ Member States
21. Engage in collaboration to develop a harmonised approach to sector-specific standards and methodologies for sustainability reporting by retail ecosystem operators, based on already existing and tested solutions at EU or international level, to avoid duplication and complexity and provide guidance.	EU/ Member States/ Private Sector
22. Support the mutual recognition of voluntary sustainability certification schemes to avoid the creation of obstacles to the free circulation of goods.	EU/ Member States
23. Exchange best practices on how to nudge consumers towards more sustainable choices and more sustainable consumer behaviour (e.g., avoiding food waste) via the Transition Pathway Platform.	EU/Private Sector
24. Foster fairer relationships and information sharing along the supply chain to provide consumers with more sustainable choices, e.g., encouraging suppliers to use more recycled or bio-based plastics/materials.	Private Sector
25. Deliver on pledges and commitments under the EU Code of Conduct on Responsible Food Business and Marketing Practices and the EU Green Consumption Pledge.	Private Sector

26. Exchange of best practices, notably using the Transition Pathway Platform, on local platforms enabling the development of short supply chains connecting consumers with local food producers.	Member States/ Private Sector
27. Encourage the use of the EEN and the Sustainability Advisors by retail SMEs to help them embrace the green transition. Encourage a larger participation of national Chambers of Commerce in the EEN Sector Group Retail.	EU/ Member States/ Private Sector
28. Encourage partnerships among retailers and their local authorities to contribute to their city's net zero transition. Support Local Green Deals between cities and local businesses or Local Chambers of Commerce, to advance sustainable processes, products and services.	Commission/ Member States (Cities)/ Stakeholders

3.2. A retail ecosystem empowered by skills

Stakeholders in the co-creation process have agreed that the **large-scale partnership on skills in retail**, created under the Pact for Skills³⁴, is an opportunity for all actors in the ecosystem to share best practices on re-and upskilling, both from the perspective of the employers and employees. The large-scale partnership is considered as a good example of a public-private partnership that is driven by both public actors (both at EU and national level), industry and education and training providers. The already on-going actions and commitments made by actors in the retail ecosystem could usefully feed into this process.

The large-scale partnership could also be an opportunity to **map skills** in the retail ecosystem and understand the evolution of employment. In a rapidly changing retail market, there is a need for better insights on how skills and jobs are changing. Such a mapping requires a large amount of data and cooperation between all relevant actors, including Member States and the Commission. It would help actors in the retail ecosystem comparatively assess skills needs across Member States, feature skills forecasts in their HR strategies and learn from each other.

³⁴ On 10 November 2020, the Commission launched the Pact for Skills, a flagship initiative of the EU Skills Agenda, to bring together all the different actors in 14 industrial ecosystems: companies, workers, national, regional and local authorities, social partners, sectoral organisations, education and training providers, chambers of commerce etc. to take concrete action to upskill and reskill EU workforce [Homepage of Pact for skills \(europa.eu\)](https://ec.europa.eu/skills/pact-for-skills/). Under this initiative, on 29 November 2022, the social partners in the retail ecosystem have set up a large-scale skills partnership to work on the ecosystem's most pressing needs in terms of skills and discuss how to support vocational and educational training to prepare people for careers in retail and wholesale, the opportunities for upskilling and reskilling as well as options for attraction and retention of employees: [Retail \(europa.eu\)](https://ec.europa.eu/skills/pact-for-skills/)

However, stakeholders have stressed that the mapping is only part of the solution, and the real question is **how to close the gap between the skills that are available and those that are needed**. Some practical solutions such as concrete training paths addressing skills gaps in the ecosystem will be provided by a 4-year project '**Skills4Retail – Accelerating the Triple Transition in European Retail through Skills**'³⁵, a first blueprint for skills in the retail ecosystem. This project could provide a useful input into the more strategic work of the large-scale partnership, the instrument to increase outreach and awareness, as well as to promote and support the implementation of concrete skilling actions.

The large-scale partnership for skills in retail is also an opportunity to join forces to **increase the attractiveness of retail as a workplace**. Stakeholders have considered this issue as priority. In particular, young people and people in skills conversion should be targets of promotional activities creating awareness of all retail career opportunities, from starter jobs on the shop floor to digital commerce solution development ("retail is more than the store").

Stakeholders agree that the **involvement of social partners** at the European and national level can create an enabling environment for life-long learning. Synergies should be developed between the European Sector Social Dialogue on Commerce and the Pact for Skills in the retail ecosystem as well as the Skills4Retail project under the Blueprint for Skills Alliance. This enhanced collaboration could contribute to the re- and upskilling of retail workforce and small retail entrepreneurs allowing them to embrace the twin transition.

Member States' action is also crucial to ensure that **national curricula are adapted**, and **schools and other educational institutions are well equipped to implement them**.

In addition, stakeholders highlighted that the Commission and Member States have a role to play in **improving the comparability and recognition of vocational experience and qualifications across the EU**. There was broad support for the idea that in times of skilled labour shortages, more flexibility is needed with regards to the recognition of education and training pathways.

Finally, participants in the co-creation process have pointed to the need to **promote SME entrepreneurship in retail**. Simplified access to customised training programmes for SMEs were considered necessary and the important role of retail associations at national and local level in this context was stressed. Such programmes should place a strong emphasis on technological competence, sustainable practices, and digital skills. Mentorship programmes, accelerators, startup hubs etc., built privately or as a public-private partnership, can all be useful tools to achieve this.

³⁵ [Skill4Retail: Transforming Europe's Retail Through Education \(skills4retail.eu\)](https://skills4retail.eu)

A very specific suggestion from the co-creation process concerned the creation of an **‘Erasmus’ programme for retail**. It could be based on the existing Erasmus for Young Entrepreneurs³⁶ and allow new or aspiring entrepreneurs in the retail ecosystem to learn from the experience of entrepreneurs in other Member States who have successfully embraced the green and digital transition.

ACTIONS	ACTORS
FOR A RETAIL ECOSYSTEM EMPOWERED BY SKILLS	
29. Encourage participation of relevant actors in the large-scale partnership on skills, established between the social partners on 29 November 2022, to support the re- and upskilling of the retail and wholesale workforce and the exchange of best practices at EU, national and local level.	EU/ Member States/ Private Sector/ Social Partners
30. Develop the large-scale partnership on skills in the retail ecosystem into a forum for: 30.1 Mapping of skills shortages and future skills needs in the retail ecosystem. 30.2 Improving the attractiveness of retail as a workplace and promoting retail jobs notably to young people and people in skills conversion. 30.3 Collaborating with educational and training institutions and retail and wholesale associations, to establish or update apprenticeship frameworks and vocational training programmes as well as promote lifelong learning. 30.4 Exchanging best practices on the re- and upskilling of the retail workforce.	EU/ Member States/ Private Sector/ Social Partners/ Other relevant actors, e.g., education and training providers
31. Ensure synergies between the Pact for Skills in the retail ecosystem and the work of the European Sector Social Dialogue on Commerce, as well as with the Blueprint for Skills Alliance to contribute to re- and upskilling of retail workforce and small retail entrepreneurs allowing them to embrace the twin transition.	Private Sector/ Social Partners
32. Support SME entrepreneurship in retail, providing training on managerial and digital entrepreneurship skills. Facilitate access to customised training opportunities for SMEs, including mentorship programmes.	Member States/ Private Sector

³⁶ [European business exchange programme - Erasmus for Young Entrepreneurs \(erasmus-entrepreneurs.eu\)](https://erasmus-entrepreneurs.eu/)

33. Promote the Erasmus for Young Entrepreneurs programme to allow new or aspiring entrepreneurs in the retail ecosystem to learn from the experience of entrepreneurs in other Member States.	EU/ Member States/ Private Sector
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3.3. Investment & funding to support the transition of the retail ecosystem

As a prerequisite for the transition, investment and funding have attracted a lot of stakeholders' attention in the co-creation process. They highlighted the **significant investment challenges in the digital and green transition**, particularly for SMEs. In particular, many green investments are either not immediately profitable or have a long payback period, leading to a call for financial support of investments. Another notable concern is the **perceived inequity in the distribution of financial resources**, with the retail sector often not receiving its fair share in funding allocation compared to other industries and **not benefitting from research and development projects under Horizon Europe as much as other ecosystems**.

First and foremost, stakeholders have highlighted the **need for better information on funding possibilities for actors in the retail ecosystem**. Actors in the retail ecosystem, and in particular SMEs, often have limited awareness and knowledge of such opportunities. They ask for more information on the existing and future funding possibilities and how to apply for them. In that respect, the upcoming Transition Pathway Platform could serve as an outlet providing relevant information and links concerning funding and financing opportunities. In addition, a lot of subsidies are not known or easy to find by the target group. Retail associations at national and local level could play a role in providing such information to their members. In the same way, Member States and retail associations at national and local level could provide **information and guidance on fiscal incentives and alternative financing** (e.g., vouchers) available for companies in the retail ecosystem. Stakeholders have clearly underlined that this type of support is particularly important for SMEs, which often face challenges in getting financing from banks and applying for public funding. Collaboration and advisory services are regarded as important pillars to overcome these SME barriers in accessing finance. Notably, stakeholders recognize that networks and platforms such as the **Enterprise Europe Network (EEN)**³⁷, **European Digital Innovation Hubs (EDIH)**³⁸ and the **European Cluster Collaboration Platform (ECCP)**³⁹ provide valuable information and guidance in that respect.

³⁷ [Enterprise Europe Network | Enterprise Europe Network \(europa.eu\)](https://europa.eu/enterprise/een/)

³⁸ [Home | European Digital Innovation Hubs Network \(europa.eu\)](https://europa.eu/digital-innovation-hubs/)

³⁹ [Homepage | European Cluster Collaboration Platform](https://europa.eu/eccp/)

Even when funding opportunities are available, stakeholders have stressed the **complexity of applications to access funds** as well as of the **auditing procedures** once a grant is awarded. Businesses should not be obliged to call upon specialist advisors and consultants to fill in such applications. Instead, they should be able to use these resources directly for the twin transition.

Furthermore, stakeholders also regret that **R&D programmes** are too focused on product innovation, while retailers typically engage in process innovation. There is a plea for more focus on retail in research and innovation programmes, such as Horizon Europe. This is backed by the argument that retail (process) innovations can be deployed fast at scale, accelerating the payback of investments and hence, fostering faster progress in the twin transition.

Finally, stakeholders concurred that **EU targets should be achievable and take account of the investment capacities of the ecosystem**. In particular, this concerns the green transition where EU targets are perceived as ambitious, not taking into account the real capacity of the economic operators to achieve them. To address this, a continuous exchange with stakeholders at European, national and local level would provide valuable input. Such engagement can ensure that target setting is informed by a comprehensive understanding of the ecosystem's operational realities.

ACTIONS	ACTORS
FOR INVESTMENT & FUNDING TO SUPPORT THE TRANSITION	
34. Share information on available funding and financial incentives for the transition of the retail ecosystem via the Transition Pathway Platform as a 'one-stop-shop'.	EU/ Member States/ Private Sector
35. Enhance the awareness of the European Social Funds Plus (ESF+) and other funding and financing opportunities to increase the number of retail ecosystem beneficiaries.	EU/ Member States/ Private sector
36. Provide guidance on fiscal incentives and alternative financing (e.g., vouchers) for the transition of the retail ecosystem.	Member States/ Private Sector
37. Involve the retail ecosystem in research and innovation programmes and simplify access to available targeted funding under Horizon Europe.	EU/ Member States/ Stakeholders
38. Improve technical assistance and financial literacy and skills of retail SMEs through local, regional or national schemes to overcome barriers to funding and investments.	EU/ Member States

39. Contribute to a mapping of funds used to support the retail ecosystem's green and digital transition.

EU/
Member States

3.4. Social dimension: a fair and just retail ecosystem for businesses, workers and consumers

Stakeholders agreed on the importance of **ensuring that the transition is just and fair for businesses, employees and consumers** and leaves no one behind.

Retail offers proximity to consumers, supports local economies, and contribute to the vitality of urban and rural communities. Retail plays a key role in the social fabric of these communities. However, structural changes, particularly e-commerce, are putting pressure on small retail businesses and affect the viability and the attractiveness of commercial areas. Small retailers face increasing difficulties to survive. The number of **empty shops** is rising, contributing to the desertification of city-centres. Stakeholders stressed that the situation differs between, on the one hand, large cities and, on the other hand, medium and small cities. In rural areas, retail shops alongside other essential services (e.g., schools, health services) are crucial to keep communities alive and to support the local economy. In this context, alternative business models, such as cooperatives and community shops, are arising to restore some essential economic services and offer of goods.

Stakeholders indicated that particular attention should be paid to medium and small cities as well as rural areas, as large cities seem to have already engaged in strategic planning to revitalise commercial centres. They point out that strategies need to be tailor-made, considering national and regional differences in spatial planning regulations, shopping habits, etc. Finally, actions should not be limited to SMEs, as all actors in the retail ecosystem, irrespective of their size and the channel they use, can contribute to a more attractive local retail offer and thus to urban and rural revitalisation.

High priority was given to the importance of an integrated and holistic approach, taking into account the overall liveability of cities, including the residential aspects, the presence of other services, transportation, mobility, the offer of leisure activities, etc. The concept of a 15-minute city has also gained attention, seen by stakeholders as opening opportunities for retail SMEs. Stakeholders have also highlighted the role of public-private partnerships in local revitalisation projects. They agreed that the issue goes both ways: while retail is an anchor for the attractiveness of city-centres, a flourishing city-centre is a condition for a local store to flourish.

Stakeholders strongly believe in the **exchange of experiences, best practices and insights at the EU, national and local level to support local authorities**

and retailers. The #Revitalise Retail initiative, further supported by projects such as the European Capital of Small Retail and a joint project of the Commission and the OECD on the twin transition of retail SMEs in urban and rural areas were considered a good way forward.

The twin transition of the retail ecosystem should be fair to **employees**. Stakeholders stressed that the **transition could have adverse effects on working conditions**.⁴⁰ Digitalisation in management, in particular technology-enabled solutions such as algorithmic management, may pose additional challenges to workers in terms of intensified performance expectations, unpredictable working hours and increased surveillance. Also, some business models fuelled by digitalisation, such as quick commerce platforms or “dark stores”, can also, in certain cases raise issues of working conditions and protection of workers.⁴¹

The impact of both the green and digital transition on health and safety at work, work organisation and involvement of workers should be analysed and measures to mitigate possible negative impacts need to be discussed between employers and employees. The Social Dialogue at all relevant levels, including EU and national level, provides a useful forum for such exchanges. Such discussions should also take place at company level. This should inspire employers to create a better workplace for employees in the retail ecosystem.

Stakeholders broadly supported **the need to ensure transparency and fairness towards consumers, as well as protection of consumer rights and consumer data across all sales channels**. They also stressed that demographic changes and socio-economic conditions need to be taken into account in the approach toward consumers, to make sure such policies and actions are inclusive and do not deprive anybody from access to goods and services, online or offline. In that respect, stakeholders referred to their efforts to keep prices low in order to support consumers facing a decline in their purchasing power.

Furthermore, stakeholders paid a lot of attention to the **fairness in the supply chain**. They welcomed newly introduced or upcoming EU legislation to ensure a fairer and more transparent business environment such as the Deforestation Regulation, the Forced Labour Regulation and the Corporate Sustainability Due Diligence Directive. These legislations make Europe a better place to make business and provide consumers with ethical, safe and sustainable products. However, they stress the need to avoid an overlap of responsibilities between the different operators in the supply chain which may translate into inefficiency and duplication of checks and controls and could put a disproportionate burden on the

⁴⁰ UNI Europa has launched a 2-year EU funded project “Make twin transition – how to enhance the social dialogue on the twin transition in the Commerce sector”. As part of the project, a toolkit with guidance and recommendations for unions on how to shape the green and digital transition in the commerce sector will be produced. The project also aims to make sure that the twin transition brings clear benefits for employers, workers, in terms of new job opportunities, increased productivity, improvements in working conditions and new ways of organizing work.

⁴¹ [Green and digital: launch of twin transition project - UNI Europa \(uni-europa.org\)](https://uni-europa.org/en/press-releases/2023/01/green-and-digital-launch-of-twin-transition-project/)

operators at the end of the value chain. They may be expected to perform or repeat certain checks and controls which should be required from economic operators further up the chain.

The **Corporate Social Responsibility (CSR)** is another key enabler for the fairness dimension. CSR programmes aiming at, among others, gender balance, child-labour free chain, fair wages and responsible purchasing contribute to a more transparent and fair business environment and working conditions. Such programmes can also help businesses in the supply chain achieve common social and environmental goals.

SMEs retailers in rural areas are important from an economic viewpoint in terms of employment and support to local supply chains. Stakeholders supported innovative approaches such as developing **platforms** at local level to connect consumers with local food producers and thus build a local business community. This could also help increase the uptake of sustainable products from short supply chains and work alongside the initiatives that are already operating in the market. In this context, business models and digital tools (social tech) rooted in the social economy have shown potential. For example, cooperative platforms and open-source digital tools for retailers and producers.

The **Unfair Trading Practices Directive**⁴² aims to contribute to a fairer agricultural and food supply chain protecting farmers and SME suppliers against the unfair trading practices listed in the Directive. Stakeholders pointed out that as a consequence of the minimum harmonisation achieved by the Directive, Member States have maintained or adopted measures going further than its provisions. These may be unnecessarily burdensome and may even be counterproductive. In some cases, they may run against Single Market rules. The ongoing evaluation of the Directive is an opportunity to provide feedback on its first years of application.

Finally, stakeholders emphasised that voluntary initiatives under for example, the Code of Conduct, are taking place between retailers and local producers to create synergies for a more sustainable production. This enhanced collaboration benefit both retailers and producers also in financial terms and ensure fairer relationships along the value chain.

⁴² Directive (EU) 2019/633 of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L0633>

ACTIONS	ACTORS
FOR A FAIR AND JUST RETAIL ECOSYSTEM	
40. Sharing and supporting experiences across the EU to revitalise retail in urban and rural areas through cooperation, best practices and knowledge exchange under the #Revitalise Retail initiative.	EU/ Member States/ Private Sector
40.1 Develop indicators on the twin transition of retail SMEs in urban and rural areas, provide policy best practices and reach-out to a larger community of relevant stakeholders through a joint Commission-OECD project.	EU
40.2 Encourage exchange of best practices, notably on the Transition Pathway Platform, on the development of local platforms as well as alternative business models such as platform cooperatives to boost urban and rural SME entrepreneurship in the retail ecosystem and local value chains.	EU/ Member States/ Private Sector
40.3 Develop a mentoring and/or exchange system for municipalities on revitalisation of city centres.	EU/ Member States
41. Implement the preparatory action proposed by the European Parliament to create a European Capital of Small Retail to showcase success stories of cities which have achieved remarkable results in supporting small retailers and maintaining vibrant city centres.	EU/ Cities/ Private Sector
42. Develop ambitious programmes for the revitalisation of town centres, in particular smaller towns, villages and rural areas, ensuring a holistic approach encompassing traffic, transport, public services, building renovation leading to a repopulation of city centres and to thriving retail.	Member States/ Private Sector
43. Encourage public-private partnerships to develop local strategies and projects to revitalise city centres and support retail in rural communities.	Member States/ Private Sector
44. Use the European Sector Social Dialogue on Commerce as a forum to exchange and find consensus on the protection of workers' rights in the twin transition process, paying particular attention to the possible negative impact of digitalisation and greening on retail employees.	EU/ Member States/ Private Sector/ Social Partners

45. Exchange of best practices via the Transition Pathway Platform on how to address demographic changes in the digital and greening transition of the retail ecosystem to ensure that all consumers have a fair access to goods and services.	EU/ Member States/ Private Sector
46. Ensure collaboration along the supply chain to deliver on the objectives of EU legislation aiming at fairer and more transparent business environment to increase consumers trust that what they are buying is fair, ethical, safe and sustainable.	Private Sector
47. Evaluate the Unfair Trading Practices Directive to assess the effectiveness of measures implemented at national level and of cooperation among competent enforcement authorities.	EU/ Member States/ Private Sector
48. Promote the sharing of best practices on collaborative and fair relationships along the supply chain (e.g., via the EU Code of Conduct on Responsible Food Business and Marketing Practices and the Transition Pathway Platform).	EU/ Member States/ Private Sector

4. MONITORING AND CO-IMPLEMENTATION

The co-creation process with stakeholders has confirmed **the important role of dialogue and collaboration** between the different actors to support the green and digital transition of the retail ecosystem and increase its resilience. This cooperation should not stop when the transition pathway is published. It should continue with a co-implementation process accompanied by participatory processes and ensure co-ownership of the proposed actions. The co-implementation process will start by disseminating the transition pathway to all retail ecosystem stakeholders and encouraging to engage in co-implementation by presenting their commitments.

It will also be important to ensure that the process of co-implementation of the retail transition pathway takes into account progress made by other ecosystems and developments in other EU policies. As mentioned in this document, the retail ecosystem is interlinked with a number of other ecosystems. Stakeholders have highlighted that they also consider policy coordination is important between the Commission and Member States. The Commission will continue to inform and engage Member States' representatives in the Services Directive Expert Group. It will also continue the dialogue with social partners in the Social Dialogue on Commerce and with SMEs in the framework of the Enterprise Europe Network Sector Group Retail and other fora. Finally, it will ensure coordination on policies concerning the retail ecosystem with the European Parliament, the Economic and Social Committee and the Committee of the Regions.

Businesses in the retail ecosystem and their associations, as well as all other actors such as policy makers, trade unions, academia, civil society and consumers will have the opportunity to remain engaged via an **online stakeholder platform dedicated to the retail ecosystem**. The platform will provide links and up-to-date information on policies and initiatives in the retail ecosystem, allow for the submission of pledges and provide a forum to exchange information and best practices. For example, the platform will link to the EU Code of Conduct on Responsible Food Business and Marketing Practices. In fact, several retailers are already among the over 140 signatories to date.⁴³ Recently, the Agri-food Code of Conduct tool has been introduced to simplify the process of signing up to the Code and automatically creating a pledge as well as offering a platform to explore and share best practices.⁴⁴

Progress on achieving ecosystem's objectives in the green and digital transition and resilience building should be regularly monitored. The **monitoring** could be based on already existing resources, such as the Retail Restrictiveness Indicator (RRI) which allows to measure the level of restrictions of Member States' regulatory frameworks for the establishment of shops and their daily operations. Stakeholders have stressed that the tool should be further updated and developed to better reflect the developments in the ecosystem. It will be necessary however to broaden the array of key performance indicators to monitor specific developments related to the green and digital transition. To this end, the Commission has initiated the "Monitoring of European Industrial Ecosystems" project.⁴⁵ This project features additional Key Performance Indicators (KPIs) that are specifically developed and monitored for the retail ecosystem. The first yearly report has been published in 2023 and highlights the ecosystem's progress in its green and digital transition, encompassing areas such as industrial performance, environmental impact, innovation, technology adoption, startup developments, skills as well as investment and funding. The associated data package provides a basis for time-series analyses and comparisons among industrial ecosystems, Member States and other major economies such as China and the US.⁴⁶

⁴³ [Code of Conduct - European Commission \(europa.eu\)](https://european-commission.eu/code-of-conduct)

⁴⁴ [Agri-food Code of Conduct tool | European Cluster Collaboration Platform](https://ec.europa.eu/agri-food/cluster-collaboration-platform/)

⁴⁵ [European Monitor of Industrial Ecosystems \(europa.eu\)](https://european-monitor-industrial-ecosystems.europa.eu/)

⁴⁶ [Retail | European Monitor of Industrial Ecosystems \(europa.eu\)](https://european-monitor-industrial-ecosystems.europa.eu/retail/)

5. NEXT STEPS

The specific approach to the co-implementation will be discussed and agreed with stakeholders. The initial plan could include:

- Launching a call for commitments.
- Launching a dedicated stakeholder platform providing a forum to exchange best practices and submit commitments and pledges.
- Providing an annual report to take stock of the co-implementation process including the main areas of action, stakeholders' pledges and commitments, exchange of best practices and other activity taking place on the dedicated stakeholder platform. This report should also identify actions by Member States dedicated to the retail ecosystem, or encompassing the retail ecosystem, to encourage other Member States to get inspired.
- Organising an annual plenary meeting for a stocktaking exercise on the co-implementation of the transition pathway. At the meeting, participants should agree on priorities and identify topics and actions to be covered in the process. They could also announce pledges. Furthermore, this meeting would be an opportunity to present the stock-taking report and prepare yearly conclusions on the implementation progress.
- If necessary, stakeholders could create specific task-forces dedicated to topics of high priority that require additional discussion. These task-forces would self-organise their work, and, with the support of Commission services, they would prepare each year a summary of the progress made.
- Providing annual updates on the progress of the ecosystem in embracing the twin transition through the European Monitor of Industrial Ecosystems. As part of the co-implementation process, stakeholders will be involved in the refining of the key performance indicators used in this exercise.

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