

President Ursula von der Leyen
European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels

July 15th, 2024

Ref: EC fact-finding exercise into “territorial supply constraints”

Dear President von der Leyen,

Further to my letter of April 3rd, I am writing again regarding the Single Market and specifically the role of the consumer goods manufacturing industry in light of the recent exchange of letters with the Greek Prime Minister, Mr. Mitsotákis. As previously mentioned, as the third largest manufacturing industry in the EU¹, the Single Market is critical for our industry and our consumers, and we have [welcomed](#) the fact-finding exercise on “territorial supply constraints” announced by the European Commission in May.

Adopt a Fact-Based Approach:

While some Member States may be keen to address concerns in the current inflationary context, it is crucial to avoid politicising this issue, particularly as we seek to strengthen the EU’s competitiveness, but above all because doing so risks misleading the EU’s 450 million consumers. A factual overview of the economics behind household consumption and how the market operates in each EU country will be instrumental in addressing this. This must also include complex and often sensitive matters, including the difference in purchasing power of EU citizens, as well as differences in taxes and government revenues, which play a specific role in consumer prices.

We would appreciate being included as one of the key stakeholders in this discussion, particularly as we are often the target of allegations. A fact-finding approach will need to include the following aspects to ensure a proper assessment:

1. Consumer Pricing: Under EU law, manufacturers cannot set consumer prices. Retailers set consumer prices for all consumer goods they sell on their shelves and do so based on their own market strategies. To assess consumer prices, the fact-finding exercise must recognise that business strategies are deployed on a market basis and that the market is primarily defined at a local level, not even at a regional or national level, within each EU country. Given the experience of our industry, we have previously published a [paper](#) explaining the dynamics of pricing and assortment decisions. We would strongly recommend that the team responsible for this fact-finding exercise take the aspect of specific market strategies into consideration. To date, we have not seen this critical aspect reflected in any paper, communication or other publication from the European Commission, including the Retail Transition pathway as referred to in your correspondence with Mr. Mitsotákis. This is critical to understanding the dynamics of pricing and will also explain why prices vary within countries as well as across borders.

2. Competitors & Customers: Retailers are both competitors and customers of consumer goods manufacturers, and they set prices for both our branded goods, and their own private label goods. This price-setting is interconnected – they can increase prices on branded products to drive consumers to their own private label products in any given week. Prices change regularly. This is one of the many levers available in determining consumer prices. Private label goods account for nearly 50% of the market in several EU

¹ Eurostat 2022: Prodcom

countries². The fact-finding exercise must include all products available to consumers, both branded and private label, as pricing strategies are interconnected. Covering only 50% of the market will not bring the clarity requested by Member States. Just as current EU competition rules apply to all and address issues such as “territorial supply constraints”, the fact-finding exercise should truly reflect the market.

3. The Role of Tax: VAT rates differ across the EU. This must be borne in mind when comparing consumer prices, and the EU needs to assess how this should be addressed. A Greek consumer pays €1.24 compared to a German consumer who would pay €1.19 for the same good at the same price. A Hungarian consumer pays €1.27 while a Luxembourg consumer pays €1.17. These differences lead to significant price variations for a basket of goods, as the Greek consumer pays on average 5% more than her German counterpart if all prices were equal. If some Member States seek lower consumer prices, the tax situation in each country must also be considered. We request that the fact-finding exercise also takes this into account.

4. Cross-Border Sourcing: €276 billion of our goods cross EU borders every year³. The allegation that we as an industry are fragmenting the Single Market is not true. Business operations are structured based on a wide range of factors, including longstanding investments in manufacturing facilities in certain markets, knowledge of market conditions, supply chain issues, logistics, managing distribution networks efficiently and much more, including compliance with national legislative requirements. Legitimate business strategies are in place to operate as efficiently and effectively as possible in a complex EU market. The fact-finding exercise should also recognise that there are legitimate reasons to have production sites in one place rather than another. As the third largest manufacturing sector in the EU, our footprint is broad and deeply embedded in communities across the continent. This also has geographical implications – some products simply have further to travel and therefore there are higher costs involved. However, this is not always reflected in the consumer price either, as promotions paid for by manufacturers are offered to consumers across the EU.

Many other factors need to be addressed in this fact-finding exercise. As the branded consumer goods industry, we represented 26.2% of the EU’s GDP in 2022, worth €4.1 trillion⁴. In 2021, we invested €81 billion in the EU, including €16.5 billion in research and innovation⁵, which includes developing and creating more innovative and sustainable products for consumers. We have a crucial role to play in helping the EU achieve its sustainable consumption objectives. It is the branded consumer goods industry that innovates, and these innovations are then replicated by private label imitations. Any interventionist approach to pricing at an EU level needs to take many of these factors into account.

Involve relevant stakeholders:

The fast-moving-consumer-goods sector is the EU’s third largest manufacturing industry, with a portfolio of brands present in almost every EU household and in daily contact with EU citizens. As discussions on consumer pricing and issues of supply which are being connected to this, often erroneously, such as rules on “territorial supply constraints”, progress, we would request the Commission to involve all stakeholders in the consumer goods ecosystem, including branded goods manufacturers and Member States, in this Commission-led initiative. This would help to identify country-specific factors that influence pricing and distribution decisions, such as different rules on packaging, labelling, transport and taxes, among others. The branded goods industry has a great deal of expertise and experience to contribute to the ongoing discussions, given our extensive knowledge of our markets.

² Per PLMA/Nielsen, “[Private Label Today](#)”, private label market shares in Europe went from a mean average of 33.4% in 2012 to 37% in 2022 in a group of 17 EU countries.

³ Eurostat 2022: Trade by commodity and NACE Rev. 2 Activity

⁴ Eurostat 2021

⁵ Eurostat 2021: €64.5 billion in assets and €16.5 billion in R&D

We are also a major contributor to the EU's trade surplus, representing 33% of the EU's total trade surplus⁶ in 2022. Our brands are sought-after by consumers around the world, and therefore the reputation of our industry is of utmost importance to us, given the trust placed in us by consumers both in the EU and beyond. It is therefore critical that this matter is managed with all facts represented and given proper due consideration. This is a reputational issue for both the EU and the consumer goods industry.

I cordially request the opportunity to present our position and explain this in further detail in a meeting. I remain at your disposal for any further questions.

Kind regards,



Michelle Gibbons
Director General

About AIM

AIM (Association des Industries de Marque) is the European Brands Association, which represents manufacturers of branded consumer goods in Europe on key issues that affect their ability to design, distribute and market their brands.

AIM comprises 2500 businesses ranging from SMEs to multinationals, directly or indirectly through its corporate and national association members. Our members are united in their purpose to build strong, evocative brands, placing the consumer at the heart of everything they do.

AIM's mission is to create for brands an environment of fair and vigorous competition, fostering innovation and guaranteeing maximum value to consumers now and for generations to come. Building sustainable and trusted brands drives the investment, creativity and innovation needed to meet and exceed consumer expectations.

AIM's corporate members

AB InBev • Arla Foods • Bacardi Limited • Barilla • Beiersdorf • BIC • Chanel • The Coca-Cola Company • Colgate-Palmolive • Coty • Danone • Diageo • Dr. Oetker • Essity • Estée Lauder • Ferrero • Freudenberg/Vileda • Groupe Lactalis • Haleon • Heineken • Henkel • JDE Peets • Kellanova • Kenvue • The Kraft Heinz Company • Lavazza Group • The LEGO Group • Levi Strauss & Co. • Lindt & Sprüngli • L'Oréal • LVMH • Mars Inc. • McCormick • Mondelēz • Nestlé • Nike • Nomad Foods Europe • Orkla • PepsiCo • Perfetti Van Melle • Pernod Ricard • Philips • Procter & Gamble • Puma • Reckitt • Red Bull • Savencia Fromage & Dairy • SC Johnson • Signify • Sofidel • Unilever

AIM's national association members

Austria Markenartikelverband • Belgilux BABM • Czech Republic CSZV • Denmark MLDK • Finland FFDIF • France ILEC • Germany Markenverband • Hungary Márkás Termékeket Gyártók Magyarországi Egyesülete • Ireland Food & Drink Federation • Italy Centromarca • Netherlands FNLI • Norway DLF • Portugal Centromarca • Spain Promarca • Slovakia SZZV • Sweden DLF • Switzerland Promarca • United Kingdom British Brands Group

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⁶ Euromonitor, based on Eurostat 2022, using HS codes, trade by commodity: Health & Beauty, Packaged Food, Petcare, Beverages (alcohol & non-alcohol), Paper, tissue & hygiene.