

24 October 2023

POSITION STATEMENT

of the European Consumer Electronics Retail Council regarding the proposed Late Payment Regulation

European Consumer Electronics Retail Council (EuCER) is deeply concerned by the Commission's proposal to limit payment terms in commercial transactions. The proposed Regulation undermines contractual freedom, by imposing a strict 30-day cap.

EuCER fully agrees and supports the [position](#) expressed by EuroCommerce. It underlines the negative consequences the Commission's proposal will have on European enterprises. We also believe that the proposed Regulation fails to fulfil its original objective of supporting SMEs.

We urge the European Parliament and National Governments to reject this proposal and to adopt a more balanced and proportionate approach that respects the diversity and specificities of different sectors and business models. We believe the positive exchange of policymakers with the sector will bring to light the risks of the proposal as it is.

1. THE PROPOSAL WILL HARM THE COMPETITIVENESS OF EUROPEAN RETAILERS AND BENEFIT NON-EUROPEAN SUPPLIERS

During the last 40 years, we have experienced a progressive reshaping of the overall manufacturing capacity for all the electrical and electronic goods in the EU. EuCER finds that at least 70% of products sold by European retailers, are provided by non-European suppliers.

The production and imports of such goods in Europe are exclusively in the hands of giant operators, mostly based in Asia and the United States. Even the biggest European retailers have very limited contractual power when negotiating with these operators.

The proposal will create an unfair advantage for these suppliers, weakening the contractual power of European retailers and increase their dependency on non-European suppliers.

Many multinational manufacturers have aggressively started “Direct to Consumers” (DTC) e-commerce strategies. They target to sell their products directly to consumers and concentrate the power into their hands, as there is no other manufacturer for e.g. an Apple iPhone or Samsung TV than respectively Apple or Samsung. DTC-suppliers legally act as a retailer but have a clear distorted advantage as they can use the multinationals money for its inventory buildup.

The proposed regulation will make this disadvantage towards retailers even bigger than it is today and reflects an abuse of dominant power.

2. APPROXIMATELY 90% OF THE TURNOVER ORIGINATES FROM MULTINATIONAL PLAYERS, NOT SME’S

EuCER supports a culture of prompt payments and welcomes the Commission efforts to encourage reasonable payment timeframe to SME’s, but stresses that in the Technical Consumer Goods (TCG) market only 10% of the turnover is emanating from European SME’s, while the other 90% is originating from multinationals in Asia and United States.

While the financial power of those multinational operators is already affecting the European business ecosystem as they can grant credit lines or revoke them, the proposed Regulation will give even more power to these operators and will make all European retailers of TCG products weaker, independently of their size.

The strict 30-day cap will reduce companies, in particular SME, cash flow, which ultimately could jeopardize the value chain resilience. We believe this reduction can hinder business decisions, threatening investment in the digital and green transition.

EuCER therefore reiterates the importance of contractual freedom, to preserve competitiveness in the market and consequently protect European retailers and consumers.

3. THE AVERAGE SALES ROTATION OF ELECTRICAL AND ELECTRONICS PRODUCTS IS SIGNIFICANTLY HIGHER THAN 30 DAYS AND LARGE STOCKS ARE ESSENTIAL

In Consumer Electronics Retail, the rotation of products is not as fast as in other sectors, and it has greater unpredictability. Therefore, Retailers need to order large volume of goods to properly respond to consumers' demand. A very well performing retailer will only reach a rotation of 6 per year which means 2 months or 60 days.

The introduction of a maximum payment limit of 30 days therefore makes the proposed Regulation very distressing for European TCG Retailers as it would oblige them to pay in advance for products that are not yet sold.

The good functioning of the TCG sector rests on this balancing principle and an obligation to make payments in such limited amount of time is not workable for retailers and will accentuate the unlevel playing field in the TCG market.

The negotiation of long payment terms is crucial to dilute risk along the supply chain.

EuCER calls for a reasonable assessment of the impact of the proposal, as payment terms enable retailers to offer a diverse range of goods, while providing convenience to customers.

4. REDUCING PAYMENTS TERMS WILL GREATLY COMPROMISE INVESTMENT DECISIONS OF RETAILERS, IN PARTICULAR SME. IT WILL CERTAINLY HAVE NEGATIVE CONSEQUENCES FOR BOTH BUSINESSES AND SOCIETY.

Reducing payment terms will create financial difficulties for retailers, in particular SME.

These businesses often rely on trade credit from their suppliers to finance their inventory and operations. If they have to pay their suppliers faster, which as referred are in their majority, big international players, SME may face cash flow problems and have less access to credit for investment. This can limit their ability to grow, innovate and compete in the market.

The scale of refinancing required by retailers and wholesalers to cope with shorter payment terms can lead to higher prices and lower choice for consumers. This can put more pressure on consumers who are already facing financial difficulties.

We foresee a negative impact on prices, contributing to the inflation scenario.

This consequence cannot be ignored. Despite all the efforts by TCG retailers to offer the best products and prices to their consumers, this Regulation is likely to impact this offer.

EuCER will be happy to engage in future discussions with EU policymakers.

About us

The European Consumer Electronics Retail Council (EuCER) is an AISBL representing the major European Retail Groups and Chains active in the sale of Technical Consumer Goods, such as Major Domestic Appliances, Computers, Smartphones, Healthcare Products, Smart-home devices, Lighting, Audio and Video Devices.