

Press Release

Single Market Strategy falls short, with a reduced level of ambition on territorial supply constraints and SME competitiveness

Independent Retail Europe regrets the reduced level of ambition in the European Commission's newly released Single Market Strategy, in comparison to the leaked draft. While the strategy acknowledges several longstanding issues that have hindered the Single Market's functioning for more than two decades (notably on labelling harmonisation of the Services Directive), it ultimately falls short in respect of two major challenges that directly affect retail competitiveness and consumer welfare. Concretely, **the absence of a dedicated legislative proposal to address Territorial Supply Constraints** is a missed opportunity, ignoring the political momentum to boost competitiveness and enforce the EU Single Market. Also, the **unchanged SME Definition** remains a black stain, since economic realities have significantly changed in the last 20 years. This considerably weakens a strategy which on other aspects shows promises of positive change.

Our key points:

- **A reduced ambition on Territorial Supply Constraints (TSCs):** As addressed in our [joint letter](#) to the European Commission, TSCs have long distorted market functioning to the detriment of retailers, wholesalers, and ultimately consumers. A few large companies own most trusted FMCG brands in the EU. They benefit from the Single Market by sourcing and producing centrally, but then fragment it by imposing territorial supply constraints on retailers and wholesalers. **We regret that despite the overwhelming evidence, this major obstacle to the proper functioning of the Single Market is not being addressed through a dedicated single market legislation, but merely through vague “tools to act against unjustified Territorial Supply Constraints.”** This is all the more surprising as the previous version of the strategy leaked in the press a few weeks ago did propose dedicated legislation. This last-minute change raises questions to the level of ambition to tackle this major obstacle to the single market which costs consumers billions of Euros every year.
- **Absence of revision of an EU SME definition:** Despite the fact that the financial thresholds in the EU SME definition have long been obsolete due to inflation, the Commission has not proposed a revision. The definition has remained unchanged for over 20 years and is now significantly misaligned with today's economic realities. While the introduction of a new definition for “small mid-cap” companies will reduce the regulatory pressure on a set of large companies, it does not address the core issue: many genuinely small businesses are no longer recognised as such under EU rules due to inflation, and, as a result are progressively losing vital regulatory exemptions and support measures. **Updating the SME definition remains therefore essential to their competitiveness.**

Director General of Independent Retail Europe, Else Groen said: *“The European Commission’s Single Market Strategy recognises many of the problems we’ve been highlighting for years, but recognition without action is not enough. The failure to explicitly propose a single market legislation against Territorial Supply Constraints is a missed opportunity that ultimately favours the interests of a few dominant international brands at the expense of retailers and consumers across Europe. If the Commission is serious about strengthening the Single Market, it must deliver concrete, enforceable solutions. Tools are not enough: we reiterate our request for the Commission to table a single market legislation that explicitly bans Territorial Supply Constraints and allow retailers to source freely on the Single Market.”*

More positively, the strategy’s commitment to harmonise inconsistent labelling requirements and support digital solutions is a positive step toward reducing fragmentation, whereby it remains essential to preserve the current balance of responsibilities among economic operators. We also appreciate the acknowledgement that unjustified restrictions on retail establishment hinder competitiveness, and support the planned guidance for Member States on the proportionality of their retail regulation in light of the Services Directive, due by end 2026. Additionally, we very much welcome intentions to reinforce product compliance, in regard of the stream of non-compliant products that enter the EU, and to reduce administrative burdens on SMEs and small mid-caps through omnibus proposals and the introduction of a mandatory SME test.

Independent Retail Europe stands ready to work with the European Commission and other stakeholders to ensure that this strategy leads to real, measurable progress. Turning the vision of the European Commission into a functioning, barrier-free Single Market requires swift, firm, and sustained action.

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About Independent Retail Europe:

Independent Retail Europe is the European association that acts as an umbrella organisation for groups of independent retailers in the food and non-food sectors. Our members are groups of independent retailers, associations representing them as well as wider service organizations built to support independent retailers. Independent Retail Europe represents 24 groups and their over 501.000 independent retailers, who manage more than 764.000 sales outlets, with a combined retail turnover of more than 1,411 billion euros and generating a combined wholesale turnover of 621 billion euros. This represents a total employment of more than 6.440.000 persons.

