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# Comparison of Consumer goods' prices in Europe

## 1. European comparisons, mission almost impossible

**There is no exhaustive and reliable study available comparing** price levels of consumer goods between countries, because it is **almost impossible to make relevant comparisons, i.e. based on products that are both comparable and representative of consumers' purchasing patterns**:

- **Consumption habits, and therefore the choice of products purchased, are national.** In food, the single market is an abstraction. IRI panel noted in 2019 that out of the hundred best-selling references in five countries (Netherlands, Italy, Greece, United Kingdom, France) none of them are common! Even when a product is offered in several countries, its importance in the average basket differs, making the comparison of its price more or less relevant to reflect the real cost of the basket.
- **Distribution structures (share of formats and channels) are not the same from one country to another** , yet the breadth of the offer in a same given category differs according to the store formats. Hypermarkets list more premium or local products that pull their relative price index up, even if they coexist with a low-price offer.
- **In the same country, price levels vary enormously between retailers** : a 19 points gap in France between the two most expensive retailers and the two cheapest. Therefore, an average index per country is misleading.
- **The standard prices recorded on shelf do not reflect the reality of consumption, due to promotions, the share of which may vary from single to double** , or even more, from one country to another and exceed 50 % in value in some countries. In addition, **the average discount rates differ**; in certain categories they exceed 40%, particularly in detergents and personal products (in France, rates as high as 70% have been commonplace for the last two years, by side effect of the "Égalim" law).
- **Private labels are by definition different from one retailer to another, and therefore incomparable** , even though they constitute an essential component of consumers' baskets (30% to 80% according to countries and categories), and their price index is significantly lower than that of brands.
- **Comparing two countries by applying one method in one and another method in the other does not allow rigorous conclusions to be drawn.** RSP are recorded either on shelf or ex-checkouts, which for the same product do not always correspond (promotion, price change, etc.); in Germany for instance, on shelf recording is prohibited ...

## 2. Limited studies, and misguided data

**The only robust survey, although geographically limited, is the *"4 Borders"*** study conducted since 2007 with Nielsen at the request of the Luxembourg Ministry of the Economy, comparing prices in stores in this country with those in neighboring countries: Belgium, Germany and France. The 2020 edition shows that out of 111,540 products, **only 147 (0.13%) are common and available in at least two retailers in the four countries, and less than 10%, or 10,570 products, in at least two countries.** Of these 10,570 references, three "macro-categories" are studied in food, where **France's indexes are systematically lower than those for Germany**, Belgium and with one exception, Luxembourg:

- **in fresh products, an index almost six points lower** than **that of Germany** and fourteen **lower** than that of Belgium;
- **in groceries, an index one point lower than that of Germany** and ten **lower than** that of Belgium;
- **in liquids,** an index **three points lower than that of Germany** and thirteen **lower than** that of Belgium.

**Eurostat data (European Commission)** cover up to the EU 28, but as far as fast-moving consumer goods, they mix processed and unprocessed products in food, ignore the whole "detergents and personal care products", and cover all circuits, which does not allow to isolate price evolutions in hyper and supermarkets, the only channels at the center of price controversies.

- **The most disruptive, and more often alleged data by the media, is the PPA index** ("purchasing power parity"), which was never intended to rank countries according to retail selling prices' levels, but to compare GDP, by neutralizing the price effect. Its price index is based on **baskets of non-identical products**, that is to say on **generic "need units"** such as *"roast chicken"* or *"well-known brand multipack fruit yogurt"* .

The actual composition of the baskets and indexes is not public, nor the weighting of these "need units". The PPA index is therefore unstable and unsuitable for a trend reading.

- **The HCP index** ("Harmonized consumer price index") **makes** it **possible to compare price changes,** from a base 100 established in 2015, **but not their levels**; and it is not without methodological limits ( *cf.* I). Its 2019 results attributed to the subset " Food products and non- alcoholic beverages" **a 106.19 index for France and 107.5 for Germany,** France being in the European average and Germany above.

**Field surveys**: during the second half of October 2020, our French association Ilec recorded the prices of around forty **identical products of around ten categories, proposed** by sixteen stores in **three zones of cross - border catchment areas between France and Germany**: Sarreguemines-Saarbrücken, Strasbourg-Kehl and Colmar-Freiburg. In all three zones, between the German and the French retail stores visited, the lowest prices for these branded products were distributed more or less evenly between the two countries, with a **slight advantage to French stores,** food prices more often lower in France, and detergents and personal care prices more often lower in Germany (where the market is characterized by the dominant presence of *"category killers")*.

## 3. Uses and issues

**Single market does not mean uniform market**: prices are recorded regardless of what contributes to their construction. In Europe, however, there are significant cost differences between countries: production (labor cost, etc.), distribution (variety of business models and conditions in the logistics chain) or taxation.

**The focus on average price index per country also ignores the differences in living standards** and, for all "food products", the relative share of food in the overall household budget. It also makes us forget that the cheapest price does not necessarily correspond to consumers' demand, often careful to the social and environmental conditions of production; a lower price can also mean lower remuneration for producers. It is also worth reminding that **retailers are solely responsible for retail selling prices**: they arbitrate them from one department to another by means of multiple equalizations, and the margin levels applied to brands and products are highly variable.

**What the only solid study** making it possible to compare the prices of French consumer good products, namely the *"4 Borders"* study, says that they are more often lower than the German prices, with which they are usually compared. In the absence of a reliable study allowing a broader comparison of Retail selling prices in Europe, due to the number of methodological biases and consumption profiles, it would be **desirable for this subject to be treated with more caution and rigor**. In this regard, both economic players and the public have the right to expect **more transparency** in the constitution of Eurostat indexes and a use more in line with their intended purpose.