

Handcuffs on the high street

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FANCY three toothbrushes for the price of two, a suitcase with a lifetime guarantee, or a half-price bicycle? In malls across America, such shopping incentives have long been the norm. In Europe, though, consumers may not be so lucky. Some countries place tough restrictions on discounts, free gifts and the like, while others simply ban them outright. Just try offering a 40% discount on a suit in Belgium, or giving away a free dictionary with an Encyclopedia in France or Austria, and Europe's trading limitations soon become apparent.

The most restrictive country of all is also the largest: Germany. Its shopping laws, some of which date from the early 1930s, are stuffed with bizarre curbs. Seasonal sales can only be held during specified weeks, and may only apply to certain products (the list varies depending on whether the sale is in summer or winter). At other times, discounts on cash purchases are limited to 3%. Unlimited guarantees are generally forbidden. And don't even think about giving products away: in one famous case, a baker was banned from giving a cloth bag to customers who bought more than 10 rolls; in another, a garage was stopped from giving free car washes to regular customers.

Opposition to liberalisation remains strong. Some lobby groups still argue that it would drive smaller shops out of business and confuse consumers by distorting pricing. One of the most vocal, the Association against Unfair Competition, is backed by more than 1,000 German retailers. According to one European Commission source, the group "reeks of protectionism. Some of its biggest members are only too happy to offer abroad the kind of customer that they oppose at home. They also seem to care little that consumer groups favour liberalisation. As one foreign retailing executive puts it: "Their game plan is simple: bend the rules and treat the customer like a cretin."

They are coming under attack from two directions: competition watchdogs and technology. The European Commission has acted on several complaints. A six-year-old dispute between Polygram and Germany, which banned the music company from offering (horror!) free compact discs to bulk buyers, is about to move to the European Court. Lands' End, an American mail-order company, recently lodged a complaint after a German court ruled that it may offer lifetime guarantees only so long as it does not advertise them. This has even meant having to black out the section concerning guarantees on customer order forms. "We can only talk about the offer if the customer happens to ask first," says the company's boss in Germany, Stephen Bechwar. "Who benefits from that?"

The other source of pressure is the Internet. Here again, Brussels is pushing change. Its e-commerce directive, due to take effect next year, will permit online retailers to trade by the rules of their home country—thus allowing those that set up shop in liberal countries to dodge restrictions elsewhere.

Fearful that its own firms' competitiveness may suffer, Germany's government recently

promised to overhaul its most antiquated retailing laws in time for the directive—although a previous attempt, in the mid-1990s, was blocked by regional politicians. There is even talk of another assault on the shopping-hours law, which forces stores to close for much of the weekend. A free car wash on a Sunday—now there's a radical idea.

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