

21 SEP. 2009

CABINET KROES											
To: NK	AW	LBA	RB	TK	JPM	VT	GC	KG	SEC		
001440						21.09.2009					
cc: NK AW LBA RB TK JPM VT GC KG SEC											

Mrs Nelly Kroes
European Commissioner for competition
European Commission
B- 1049 Brussels
Belgium

18th September 2009

Re.: Revision of Regulation n° 2790/99 on vertical agreements - Position of the European department stores

Dear Madam,

The European department stores would like to intervene in the consultation on the revision of European regulation n° 2790/99 on vertical agreements, currently carried out under your authority.

The department stores are important economic actors in the distribution of luxury and high standing brands, especially in the field of fashion, perfumery-cosmetics and watch making. The aim of the department stores is to develop access to these brands. They contribute, in this respect, to the development of a particularly important European industry.

The success of this European industry relies on stable partnerships established with the distributors through selective distribution agreements. These agreements allow investments in stores and a quality of service which contributes to the success of the brands distributed. Thus, selective distribution agreements create economic values and have a positive impact on the European economy.

It is essential that the development of online selling does not impact this balance. For the consumers, the value of a product is related to its exposure in certain stores, in certain urban areas and to the quality of reception and service. The development without restriction of online selling would involve important risks of free riding, as retailers selling only on the web (pure players) could profit from investments carried out by traditional distributors. This mode of distribution would also lead to a trivialisation of luxury brands, which built their prestige on a selective distribution policy. This would have detrimental economic effects in the long run for the luxury industry, but also for consumers and distributors, including websites.

As a consequence, we defend, within the framework of future regulation on vertical agreements, the possibility for the supplier to require its distributor to have brick and mortar stores before engaging in online distribution. It is also necessary that the guidelines issued by the Commission specify the conditions under which suppliers can impose this requirement in an effective way. As mentioned above, we consider that online selling shall not undermine the brand values created by brick and mortar networks. In this respect, we consider that the guidelines should be completed with the following sentence : *"the suppliers are entitled to require that the website be the prolongation of the brick and mortar stores and offer a level of quality and service equivalent to that of stores, for example:*

- *compliance with the brand codes*
- *the brick and mortar network has to be sufficiently developed that the customer can obtain a high level of technical assistance and easily carry out an exchange or a refund"*

We hope that our proposal can be taken into account in the redrafted regulation and in its guidelines.

The future of an important sector of the European economy relies on the possibility for suppliers to choose their distributors and the conditions under which their products must be distributed. This possibility is completely compatible with the principles of competition and a high level of consumer satisfaction.

We hope that our position will be looked upon favourably and we remain at your disposal.

Respectfully yours

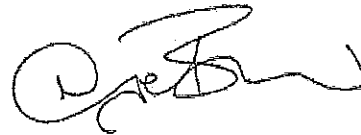
BON MARCHÉ

Philippe de Beauvoir
Président Directeur Général



BROWN THOMAS

Nigel BLOW
CEO



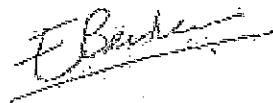
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Jorge PONT
Director of International Affairs



De BIJENKORF

Edo BEUKEMA
Chief Merchandise Officer



GROUPE GALERIES LAFAYETTE

Philippe HOUZE
Président du Directoire



HARVEY NICHOLS

Joseph WAN
CEO



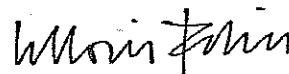
PRINTEMPS

Paolo de CESARE
Président Directeur Général



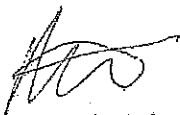
RINASCENTE

Vittorio RADICE
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ALEX WATNER, COMPANY SECRETARY, SELFRIDGES PLC