Problems of measuring retail trade due to the impact of different ways of organising distribution

Example: Retail sale of automotive fuels
Retail Trade Index (background)

- compiled by Eurostat
  - monthly
  - based on national working day adjusted indices (weighted sums)
  - value and volume (deflated value) index
  - different regional (e.g. EA16, EU27) and industrial (e.g. food, non-food, energy) groupings

- STS-regulation, Annex III (Council Regulation (EC) № 1165/98)

- PEEI (Principal European Economic Indicator)
Retail Trade Index (scope)

- turnover: “…the totals invoiced by the observation unit during the reference period. This corresponds to market sales of goods or services supplied to third parties.” (Commission Regulation (EC) № 1503/2006)

- observation unit: “The observation unit … is the enterprise” (Council Regulation (EC) № 1165/98)
Retail Trade Index (mandate)

“It is the objective of the turnover index to show the development of the market for goods and services.” (Commission Regulation (EC) №1503/2006)
Retail Trade Index (usage)

- indicator for developments in final consumption
- first indicator available
- used for this purpose by our main users (Central Banks, Financial/Economic Research Institutes, NA)
Discovering a Problem

“Retail Sale of Automotive Fuels” (4730) is new in “STS Retail Trade Index” since NACE rev. 2/ISIC rev. 4

2005 weights showed astonishing ratios
Weights 2005 for NACE 4730 in % of EU27 total

selected Member States

NL  DE  ES  FR  UK  IT
Comparison: weights 2005 for NACE 4730 and energy consumption of road transport (toe) 2005 in % of EU27 total

selected Member States

DE
IT
AT
SI
Questionnaires to all Member States, literature studies and Task Force on Retail Trade Quality

exploring:

- market situation and organisation
- treatments
- other environments
Market Organisation: Agents

- appear in some Member States
- selling in the name and/or for the account of someone else (e.g. Mineral Oil Company)
- receive fees for their service (often cent per litre, regressive)
- attribution of agent's fee and of the products’ value unclear and treated differently
Turnover for two totally different kinds of “products”

- **fuels** (and shop items, car wash etc.)
- **service fees, commissions**

According to NACE, both retail trader and agencies involved in retail trade have to be classified within retail trade.
Deflators used by EU27 countries

development of…

■ fuel price

or

■ basket (fuel price and other shop items)
Example for an absurd deflation

Data for DE from STS (NACE 473) and energy statistics (road transport), annual averages, 2005=100
Problems we are faced with

- different market situations (agency/principal)
- market structure unstable
- different “products” monitored (fuel, shop items vs. service)
- distributing fuel to consumers to some extent done by units classified elsewhere (oil refining, oil extraction, wholesale trade, other retail trade, etc.)
- different allocation of fuel values sold through agencies
- different treatment of commissions/fees in our Member States
- different treatment of excises in our Member States

⇒ measurement of different developments

- some Member States using with their turnover indices totally incompatible price indices
- uncertainty about weights for aggregation of EU totals
Isolated problem in NACE 4730?

no:

– comparable problems with supermarkets and department stores renting shelf space incl. encashment service etc.
– direct selling of producers (e.g. bakeries)

but:

most visible in the sector retail sale of automotive fuels
Suggestion of Eurostat’s Task Force on Retail Trade Quality in STS:

**A method**\(^{[1]}\) With the gross data collected the whole value of (almost) all goods sold to private consumers is covered. Additional income such as commissions, rents or service fees are excluded.

**B method**\(^{[2]}\) The gross data contains the retail trade turnover of units having their main economic activity within retail trade. Additional income such as commissions, rents or service fees are excluded.

**C method** The gross data collected are a mish-mash of different incomes of units running mainly retail trade shops.

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\(^{[1]}\) Method A is currently not in line with the STS-regulation. It is considered as being rather complex in terms of data availability. Nevertheless this method represents best the data expectancy of our main clients.

\(^{[2]}\) Method B is fully in line with the STS-regulation and should be considered as an "A" method in terms of compliance issues. However the results created by this method do not meet our client’s expectations best.
What we urgently need:

- to know more how the different markets are organised
- harmonised and meaningful approaches for treating trade agencies involved in retail trade and of principals involved in retail trade but classified outside
Thank you for your attention
and special thanks to the members of Eurostat’s Task Force on Retail Trade Quality!

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