

Future of retail: five key challenges to address

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Five key challenges for Czech retail

- **Defective EU Single Market**
- **Supply chains breakdown**
- **Climate change**
- **Unfair competition from China**
- **New patterns in customer behaviour**

Defective EU Single Market I

- **Persisting barriers in the EU Single Market**
 - IMF report (December 2024): internal trade barriers equivalent to tariffs of 45% in case of goods and 110% in case of services.
 - Report of Enrico Letta (*„Much more than a market“, April 2024*): identifies key points for future development of the Single Market, including a need for more harmonization and less bureaucracy
- **Retailers exposed to excessive administrative burden from both EU and national governments → negative impact on domestic consumer prices**
 - New regulatory framework for packaging and packaging waste (PPWR)
 - Prevention of Deforestation (EUDR)
 - Efforts to increase energy efficiency and deploy charging stations for EVs (EPBD)
 - Czech Ministry of Agriculture decree on reporting of imported foods

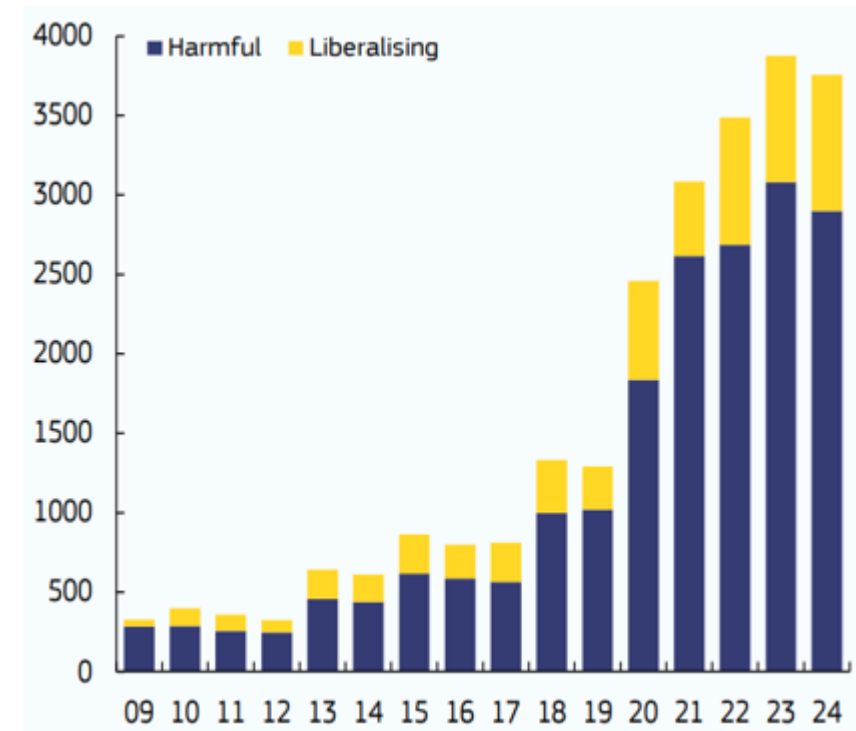
Defective EU Single Market II

- **Retailers also exposed to unfair practices of multinational manufacturers**
 - **Territorial Supply Constraints (TSCs)**
 - Barriers for retail regarding sourcing in the Single Market, particularly relevant for FMCG
 - Limiting the freedom of movement of goods
 - Negative impact on Czech market – higher prices for consumers
 - AB Inbev and Mondelez cases – fined by the Commission based on EU competition rules
 - Ongoing discussion on ways to eliminate TSCs

Supply chains breakdown

- **Deglobalization trends**
- **Imminent impact of current US policies**
 - Trump's tariffs
- **Consequences particularly for non-food sector which is less local than food production**
 - Based on the latest SOCR Retail Index (spring 2025 report) also Czech retailers start to worry, confidence of non-food purchasing managers decreasing quickly.

Protectionism on the rise



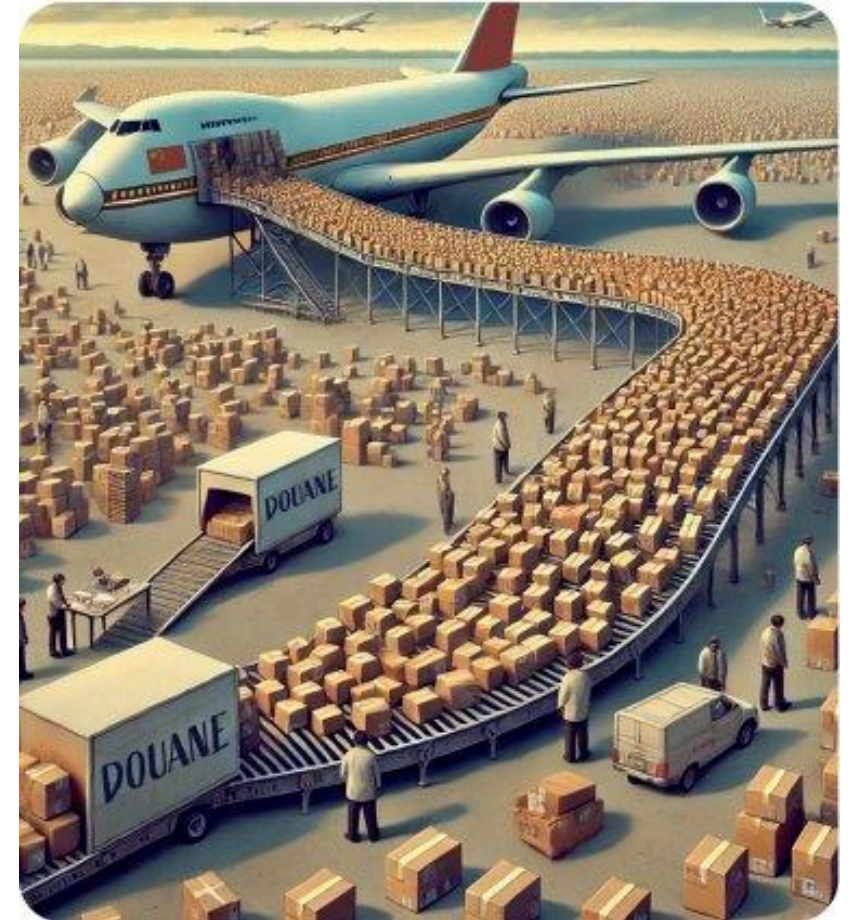
Source: [Autumn Economic Outlook 2024 \(EU Commission\)](#) and <https://www.globaltradealert.org/>

Climate change

- **Extreme weather: floods, droughts, heatwaves**
- **Specific impact on Central Europe: lower summer rainfall, but also harsher weather extremes (heavy precipitation, river floods, droughts and fire hazards), with mixed changes in annual precipitation and aridity.**
- **Implications for retail?**
 - Some supply routes will not work anymore, e.g. spring vegetables from Spain.
 - Need to search for new suppliers – potential for Balkan countries due to proximity to the Czech market.
 - Some local Czech production will also need to be reconsidered – rising concerns of economic viability due to the impact of changing climate (frequent spring frosts, low/unbalanced rain/snowfall, droughts in typical potato-growing regions).

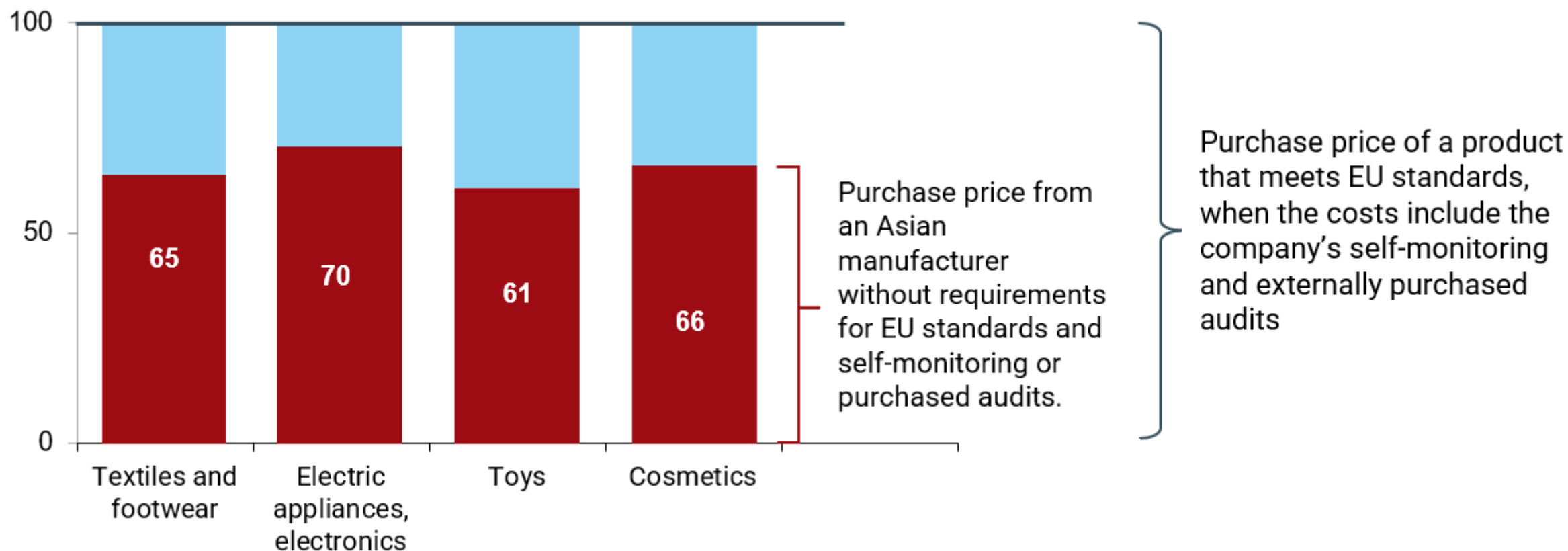
Unfair competition from China I

- **Massive increase in B2C deliveries from Asia, mostly China via online platforms (Temu, Shein, Aliexpress..).**
 - Over 4 billion packages from third countries reached EU territory in 2024.
- **Risks for governments, EU companies and namely consumers: dangerous products (health risks and quality deficiencies), aggressive marketing, low protection of personal data, tax and tariff evasions, environmental concerns (EPR non-compliance).**
- **Significant unfair competition for Czech/EU retail and e-commerce in particular.**
- **Need to reach a level playing field in the Single Market through better enforcement of existing rules and possible legislative changes.**



Unfair competition from China II

Average purchase price of a similar product from an Asian manufacturer compared to the purchase price paid by an EU company



Source: EuroCommerce

New patterns in customer behaviour

- **New type of customer emerging: ZERO customer**

- Zero loyalty – a favourite brand does not always work anymore, almost 90 % say that they plan to change their preferences.
- Zero common ground – the middle of the market is disappearing, customers either save or are willing to spend.
- Zero boundaries – new shopping channels on top of common „physical“ shopping, around half of customers rely on social media, celebrities, articles, influencer posts and blogs.

- **A cross-cutting trend: Sustainability and healthy lifestyle**

- Food: plant-based, bio and local produce
- Private labels growing quickly, changing into private brands
- Consideration of environmental impacts: emissions, packaging...

THANK YOU FOR YOUR ATTENTION!

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