European
Cultural
and Creative
Industries
Alliance

JANUARY 2020

ECCIA POLICY RECOMMENDATIONS

BASED ON THE STUDY "THE CONTRIBUTION OF THE HIGH-END CULTURAL AND CREATIVE SECTORS TO THE EUROPEAN ECONOMY"

The European Cultural and Creative Industries Alliance (ECCIA) is composed of five European cultural and creative industries organisations: Altagamma (Italy), Circulo Fortuny (Spain), Comité Colbert (France), Meisterkreis (Germany) and Walpole (UK), who between them represent more than 600 brands – mostly SMEs – and cultural institutions.

Based on art, culture and creativity, our work is underpinned by continuous innovation, a relentless focus on quality and craftsmanship, highly skilled employment and strong export abroad. Our members strive for excellence and the highest quality in all of their products and services, which includes the experience they strive to offer to consumers.

THE CONTRIBUTION OF THE HIGH-END CULTURAL AND CREATIVE SECTORS TO THE EUROPEAN ECONOMY

THE EUROPEAN HIGH-END AND LUXURY INDUSTRIES CONTINUED TO PLAY A LEADING ROLE IN THE EUROPEAN ECONOMY IN 2018

Employed nearly **2.1** million people directly and indirectly, in 2018 in Europe

300K jobs created in Europe between 2014 and 2018

€210 billion exports

Equivalent to **10%** of total European exports

72% of the global high-end and luxury market

€796 billion in revenues

Equivalent to **4%** of European GDP

THE EUROPEAN HIGH-END AND LUXURY SECTOR HAS ALSO A WIDER SOCIO-ECONOMIC IMPACT:

- Long-term investments in **sustainable innovations and products** and the development of climate strategies.
- A contribution to enhancing **social consciousness**, by supporting **sustainability**, **diversity** and **inclusivity**.
- Ambassadors of **European values and lifestyle** to the world and the development of **tourism**.
- The development of upstream **production clusters** and **centers of excellence** across Europe.
- The promotion of Europe's **artistic and cultural legacy** and the ability to **innovate.**
- The development and the protection of Europe's ***savoir-faire*** and **craftmanship.**
- The emergence of **high-end and luxury ecosystems** which in turn fosters other types of economic activities: **tourism, education institutions, professional services, media and communication** and **events.**

ECCIA POLICY RECOMMENDATIONS
BASED ON THE STUDY “THE CONTRIBUTION OF THE HIGH-END CULTURAL AND CREATIVE SECTORS TO THE EUROPEAN ECONOMY”

KEY FINDINGS

FROM THE STUDY "THE CONTRIBUTION OF THE HIGH-END CULTURAL AND CREATIVE SECTORS TO THE EUROPEAN ECONOMY"

The European high-end cultural and creative industries are a key driver of growth and job creation as well as ambassadors of European values worldwide.

- Business generated by European high-end and luxury brands as a share of European GDP: 4%.
- Cumulated growth of the European high-end industries v. European GDP 2014-18: 32% v. 12%.
- Total employment generated by European high-end and luxury brands: 2.1 million people in 2018 with 300,000 new jobs created since 2014.
- Exports generated by the European high-end industries as a share of total European exports: 10%.
- European high-end and luxury industries as a share of the global market in 2018: 72%.

Following the publication of the first ECCIA report on the contribution of the high-end cultural and creative industries to the European economy in 2012, the European Commission recognised the high-end and luxury industries as a key driver of growth and jobs in Europe[1]. This new report[2] demonstrates the continuity of such growth and job creation contribution. Based on culture and creativity, production in Europe and strong exports abroad, European high-end and luxury industries have been able to develop and maintain a unique leadership on the world stage.

Indeed, European brands continue to play a leading role in the global high-end and luxury industries, accounting for 72% of the global high-end and luxury market, sized at €1,112 billion in 2018.

The strong European performance reflects the continued competitive advantages generated by the European high-end and luxury business model, which remains distinctive compared to both the mass market and the high-end and luxury industries in other geographies.

The value generated by the European high-end and luxury industries far exceeds the direct contribution to the European economy. The aforementioned figures understate the full contribution of the cultural and creative industries to the European economy, insofar as they do not capture indirect economic and socio-cultural spillovers. For example, the European high-end and luxury industries contribute to the preservation and development of production clusters and centres of excellence, which generate both direct and indirect employment. They also contribute to the attractiveness of city

CONTRIBUTION TO THE EU GDP

INDICATOR	2014 VALUE	2018 VALUE
Global high-end and luxury market (retail equivalent value at current prices)	€875 billion	€1,112 billion
Business generated by European high-end and luxury brands[3] (retail equivalent value at current prices)	€604 billion	€796 billion
Business generated by European high-end and luxury brands as a share of European[4] GDP	3%	4%

CONTRIBUTION TO EU EXPORTS[5]

INDICATOR	2014 VALUE	2018 VALUE
Exports generated by European high-end and luxury industries (Wholesale FOB[6] value of extra-European retail sales at current prices)	€150 billion	€210 billion
Exports generated by European high-end and luxury industries as a share of total European exports	8%	10%

ecosystems, which congregate business, retail, education and tourism activity, and investments. Finally, high-end and luxury industries also act as ambassadors of Europe's social and cultural values, thereby reinforcing Europe's soft power throughout the world.

While this report highlights the high-end and luxury industries' continuous growth and reinforced competitiveness, it also aims to highlight the substantial investments that these industries are making in order to further improve the quality of customer experiences and the contribution to conversations and social change, as well as minimise the environmental impact of activities.

For instance, sustainability and corporate responsibility have always been at the heart of cultural and creative industries' businesses, not only because it is what their customers expect, but also because it is in their DNA to be here for the long run and to strive for excellence and exemplarity.

As a result, they have focused on supporting the complex environmental and social ecosystems from which they source the *matières nobles* for their products. The high-end and luxury industries constantly make significant investments in research and development (R&D) to reduce their impact along the value chain, among others in terms of carbon emissions, water and land use, and material sourcing and waste. These industries are also working hard to build a more sustainable retail model and explore circular design and recycling of their sales and promotional materials. In addition, high-end and luxury industries have demonstrated and continue to demonstrate a strong commitment to promoting the values that they embody – such as inclusivity, diversity, gender equality, education, entrepreneurship and culture – to drive social change. Concrete examples will be given throughout this report.

Over the past decade, high-end and luxury industries have also invested heavily in the digital economy, which currently represents the sector's highest source of growth. This encompasses online as platforms to connect with consumers, e-commerce as a distribution channel, and digital technologies as enablers of improved productivity throughout the supply chain and improved customer experience in boutiques. Indeed, while high-end and luxury brands and their ambassadors are today among the largest creators of online content and the most liked and shared brands on social networks, virtually all brands have developed their e-commerce activities, either directly or through their network of authorised resellers. Several brands have gone one step further, developing 'omnichannel' networks in which online and offline work together seamlessly, allowing their customers to engage with their brand at anytime, anywhere, and in whatever way they wish.

CONTRIBUTION TO EMPLOYMENT IN EUROPE[7]

INDICATOR	2014 VALUE	2018 VALUE
Total direct employment generated by European high-end and luxury brands	1.2 million directly employed	1.4 million directly employed
Total indirect employment generated by European high-end and luxury brands	600,000 indirect jobs	700,000 indirect jobs
Total employment generated by European high-end and luxury brands	1.8 million employees	2.1 million employees

[1] European Communication on "Promoting cultural and creative sectors for growth and jobs in the EU", COM (2012) 537 final.
[2] Source (of figures): Bain Luxury Study, throughout the report unless otherwise noted.
[3] Estimate of the retail value generated by European companies net of the distribution margin outside of Europe.
[4] Refers to EU-28 members and Switzerland.
[5] Exports figures have been restated owing to the different methodology used, which: a) excludes hospitality and restaurants, b) applies wholesale multipliers by sector (which are fundamental to the calculation of FOB), and c) assumes that production of cars (by European brands) occurs partly outside Europe so sales cannot be used as a proxy for exports. Source: Elaborations on Bain Luxury Study, expert interviews and Eurostat.
[6] FOB refers to Free On Board.
[7] Source: Elaborations on Bain Luxury Study, analyst reports, company annual reports, industry association reports and Eurostat.

1 STRENGTHENING THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS ONLINE AND OFFLINE TO BETTER FIGHT AGAINST COUNTERFEITING

European high-end and luxury industries are at the core of a unique economic model characterised by creativity, innovation and cultural heritage, backed by continuous investment. This model relies heavily on the protection of intellectual property rights.

The proliferation of counterfeiting and other infringements of intellectual property rights continues to be a major issue for high-end and luxury industries. Despite brands' significant investments to curb the phenomenon, imports of counterfeit products into the EU continue to increase, and amounted to as much as €121 billion in 2016, representing 6.8% of EU imports, up from 5% in 2013.

As well as the damage to brands' image and to the economy due to the indirect impact of counterfeiting on employment and lost taxes[8], the fight against it has also become a matter of consumer protection[9].

There is a growing consensus among right holders and EU decision-makers that the current regulatory framework applicable to online intermediaries, which was created over 20 years ago, is outdated in today's digital economy. Indeed, while right holders are entitled to ask for the takedown of fake products only after their appearance on online markets – when the potential damage to consumers has already materialised – online intermediaries, especially large ones, are often the only bodies with the power to prevent fake goods from reaching consumers in the first place. Technical measures (algorithms and AI in particular) are successfully used today where companies are obliged by law to identify and remove illegal content or for business model improvement. Making money from online sales should also imply a responsibility to make sure those sales are legitimate.

As counterfeiters are increasingly using online marketplaces and social networks to reach consumers and sell their infringing goods to a larger extent than ever before, online intermediaries should play an active role in preventing the appearance and reappearance of fake and other infringing products on the markets.

ECCIA recommends that European decision-makers adopt a horizontal and binding legislative framework to incentivise the entire digital value chain (including, without limitation, domain name registrars, ad networks, marketplaces and social media) to deploy all proportionate measures at their disposal to prevent the infringement of intellectual property rights, including proactive, reactive and stay-down measures.

It is also necessary to complement this framework with other initiatives, including measures aimed at improving consumer information, seller identity verification, harmonising notice and take-down procedures across Europe, increased transparency and accountability on their supply chain (in line with industry best practices such as ISO/DIS 20400 on sustainable procurement) and stricter rules targeting misleading online advertising. ECCIA also calls on European regulators to put a stronger focus on ensuring IPR rules enforcement in third countries and free-trade zones.

[8] Just looking at nine economic sectors, the EUIPO estimates a loss of 760,000 direct and indirect jobs due to IPR infringement. The last EUIPO/OECD report of 2019 emphasises the example of Italy, where "88,000 jobs were lost altogether due to counterfeiting and piracy".

[9] In June 2019, the EUIPO published a new report entitled "2019 Qualitative Study on Risks Posed by Counterfeits to Consumers". The study shows the extent of the dangers to health posed by counterfeit goods, as evidenced by the alerts submitted by EU market surveillance authorities in the Commission's "Rapid Alert System for dangerous non-food products", concentrating on the seven most common risks reported in the alerts analyzed: chemical, injuries, strangulation, choking, electric shock, damage to hearing and fire risks. The study found that 97% of recorded dangerous counterfeit goods were assessed as posing a serious risk. Toys are the most common type of product, followed by clothing, textiles and fashion items.

2 STRENGTHENING THE EXISTING FRAMEWORK RELATING TO SELECTIVE DISTRIBUTION

To continue to meet the high expectations of their customers in terms of products and services, high-end and luxury industries have massively invested in the creation of an 'omnichannel' luxury customer experience, which increasingly strives to offer a seamless integration of the on- and offline experience.

Such developments reflect our customers' desire to discover our products and engage with our brands everywhere, at all times, in an increasingly personalised fashion. While adapting to a fast-evolving retail landscape and these specific expectations, in particular of the new generations, brands need to be able to continue offering their products in an environment consistent with the luxury experience their customers expect, while maintaining the creativity, high-quality, authenticity and safety of their products.

The adoption of the Vertical Block Exemption Regulation (VBER) and Guidelines on Vertical Restraints (VGL) in 2010 has given our companies the legal certainty to do so. The recent discussions around the Court of Justice of the European Union (CJEU) decision in the Coty Case and the Commission's final report on the e-commerce Sector Inquiry[10] have shown very recently that these rules are still perfectly fit for purpose and transposable to an omnichannel retail environment, and ECCIA would like to stress the importance of maintaining them.

As regulators prepare for the revision of the VBER and the VGL, they should do so with an aim to strengthen the current rules by integrating positive clarifications brought by the CJEU in the Coty Case and by the Commission in its final report on the e-commerce Sector Inquiry. In addition, ECCIA recommends introducing new legal provisions to enable our companies to fight the infringement of our selective distribution networks by third parties, who free-ride on the investments made by both our companies and their authorised distributors, in particular online, and which mislead consumers and bring potential health risks.

3 PROMOTING SKILLS AND VOCATIONAL TRAINING

While high-end and luxury products are always the result of innovation and creation, they are brought to life by the exceptional knowledge of our craftswomen and men.

High-end and luxury companies employ 2.1 million people directly and indirectly in Europe. By putting creativity and craftsmanship at the core of its business model, high-end and luxury industries are key creators of jobs in Europe, both directly and in the ecosystems around them that contribute to their creation, manufacturing and distribution, and play a central role in the global recognition of a European traditional savoir-faire. To do so, our companies invest heavily in education and training programmes.

The preservation and promotion of this cultural heritage is currently being challenged by the shortage of a highly skilled workforce in Europe and the difficulty of attracting talent. Further actions are urgently needed to raise awareness about career opportunities in our sector, as well as about the value of vocational training. This could, for example, be achieved through the creation of a European Master of Art title, based on the model of the French Maître d'Art distinction. ECCIA believes this would help to promote craftsmanship throughout Europe and encourage the transmission of skills and knowledge.

Another idea would be to further develop the Erasmus+ programme to strengthen the links between the different clusters of excellence in Europe, as well as to allow craftsmen and women to widen their skill sets and benefit from the know-how of their European counterparts. In order to work together towards the preservation of traditional savoir-faire and fully grasp the opportunities offered by exchanges between craftsmen and women in Europe, ECCIA also recommends that European and national decision-makers work towards better recognition of vocational qualifications.

[10] European Commission Final Report on the E-commerce Sector Inquiry, COM (2017) 229 final, May 2017.

4 CONTRIBUTING TO SUSTAINABILITY

High-end and luxury products are by definition sustainable because they are produced in limited quantities, always of high quality, made to last and crafted from precious, natural materials, essentially manufactured in the European Union.

Durability and repairability offered by the brands' customer services are key and, thanks to these services, products often enjoy multiple life spans, as they are cherished and passed on from generation to generation.

Sustainability has therefore always been at the core of luxury brands' business models and most of them have been developing extensive environment and social responsibility programmes for years, often decades. Not only do luxury brands want to set an example, but they need to address the growing concerns of their clients for a more sustainable consumption if they want to remain competitive. Therefore, their long-term strategic goals can be achieved only if they can ensure sustainable access to raw materials, which is why they are working on improving their supply chains and raw material sourcing programmes while continuously honouring their long-term commitment to minimising the environmental footprint of their activities.

The environmental challenges our planet faces need to be addressed collectively, and our industries are fully committed to acting individually and collectively to address them. In this respect, our entire industry is committed to working with the European Union in order to help set the 'gold standard' on sustainability regulations and represent a reference for other parts of the world.

In line with the announcement by the European Commission of its Green New Deal, we would encourage co-legislators to bear in mind the following principles:

- Ensure the highest level of harmonisation: the environment has no borders. Environmental challenges are best addressed at European or even, wherever they can be included in trade negotiations, at a global level. It is therefore imperative that the EU sets clear, binding objectives that can be applied and interpreted uniformly throughout the EU Single Market. At the same time, it is important to make sure that divergent environmental legislation adopted at Member State level does not impede the objectives of the EU Single Market.

- Define objectives in collaboration with the industry: European leaders have highlighted on several occasions the key role that the private sector will play in addressing environmental challenges. It is therefore crucial to consult the industry and work together with the major industry players rather than imposing solutions. Indeed, and as stated before, it is crucial for all industries to transform their business models to sustainable ones in order to remain competitive. All major responsible industry players have fully understood this and are willing to work with governments to find solutions. Indeed, it is because of this competitive necessity that the industry has already identified what could or should be done within their own sectors. While we completely understand the need for the EU to put forward ambitious proposals, we need to make sure that their implementation does not needlessly weaken the ability of European companies to provide meaningful solutions and innovate while remaining competitive in the global market.

- Focus on the long-term objective: serious industry players are committed to finding sustainable alternatives to specific substances or energy sources that have a negative impact on the environment, but this clearly takes time in order to get right. Therefore, we would encourage the EU to work closely with the industry on existing alternatives before completely banning or drastically restricting the use of a specific substance or material and, where necessary, provide our companies with reasonable timelines to find alternatives or restructure their business models.

5 ENSURING A FAIR ACCESS TO MARKETS

This report has clearly shown the high-end and luxury industries' strong contribution to European exports. Ensuring open markets and fair competition with third countries is therefore crucial to ensure that they can continue to provide this contribution. Due to fluctuating diplomatic and economic relations between key economic partners, tariff and non-tariff barriers are constantly increasing at the global level. In addition, Brexit creates uncertainty for our companies and their future strategies.

In light of these developments, ECCIA would like to recommend that EU decision-makers continue working on promoting free trade and taking down existing trade barriers. In the context of trade negotiations with third countries, ECCIA also suggests that EU negotiators focus on the reduction of tariff duties and the elimination of unfair trade practices, particularly when it comes to standards and regulation. A high level of intellectual property rights protection and enforcement should also be a core part of any negotiations.

6 FACILITATING THE ARRIVAL AND CIRCULATION OF TOURISTS IN THE EU

As outlined in this report, the activity of the high-end and luxury sector generates positive spillover effects for the economy. Our industries' international reputation for excellence largely contributes to the attraction of visitors to the continent every year, who travel not only to discover unique luxury shopping or gastronomic experiences but also to enjoy broader tourism across Europe.

High-end and luxury industries will continue supporting the EU's efforts to ensure that Europe remains the world's first tourist destination in every way that they can. The arrival and circulation of tourists in the EU should thus be facilitated in ways including through coherent visa delivery policies and improved tourism infrastructure, such as transport. Ensuring the quality of Europe's tourist industry also implies developing and promoting high-end shops in town centres in Europe, which represent a significant part of tourists' travel experience and helps keep retail alive on our high streets.

European
Cultural
and Creative
Industries
Alliance

www.eccia.eu