

European
Cultural
and Creative
Industries
Alliance

Activity Report
2012

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by **Armando Branchini**,
ECCIA Executive Team President
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FOREWORD

Armando Branchini
ECCIA Executive Team President

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It was the firm belief that high-end companies deserve, because of their uniqueness, to be counted among Europe's Cultural and Creative Industries that spurred us to create an Alliance to promote the sector's needs before the International Institutions.

The European Cultural and Creative Industries Alliance (ECCIA) is now composed of five major luxury industry associations: Circulo Fortuny (Spain), Comité Colbert (France), Fondazione Altagamma (Italy), Meisterkreis (Germany) and Walpole British Luxury (UK). Its members represent about 400 of Europe's leading luxury brands, covering 14 high-end product and service markets.

ECCIA's members are cultural and creative entrepreneurs. Based on culture, craftsmanship and creativity, our successful business model is underpinned by continuous innovation, highly skilled employees, strong exports and a relentless focus on quality in products and services straight through to the experience offered to consumers.

The success of our brands springs from the work of highly skilled artists, designers, scientists, artisans and managers. Our workshops, wineries, distilleries and stores bring art, culture and inspiration to Europe's cities and regions, contributing to their economic lifeblood. They preserve and renew artisanal skills as well as Europe's cultural heritage, and make them accessible to ever more people in Europe and around the world.

The diverse ECCIA membership shows that the basic thrust of making a beautiful handbag is the same as making a beautiful yacht — using creativity and innovation to leverage traditional European strengths.

With this unique business model, ECCIA members have become world leaders in the development and manufacture of luxury products and services: European brands account for at least 70% of the global luxury goods market. Products are exported across the world, acting as ambassadors for core European values.

The luxury sector thus is also a key driver of sustainable growth and contributes to Europe's overall economic health, competitiveness, employment and export strength.

The sector's output in 2010 was estimated at more than €440 billion, approximately 3% of European GDP. It employs approximately 1 million workers directly and at least 500,000 indirectly, supporting a diverse network of SMEs across Europe. About 60% of its output is exported, representing over 10% of all exports from Europe.

The sector accounts for more than €110 billion in tax revenue in Europe, counting sales, corporate and export taxes as well as the personal income tax paid by workers in the sector.

High-end industries are a key driver of tourism in Europe. Up to half of the personal luxury goods sales in Europe are due to tourists, who also provide significant spillovers to the wider European economy.

The luxury sector has grown faster than the overall European economy over the last decade and especially since the onset of the current economic crisis. Following a decline in sales in 2009, it has recorded double-digit growth in the last two years.

Future prospects are strong, driven by the expected increasing demand in Asia and other high-growth economies over the next decade. Medium-term forecasts suggest the sector will continue to grow between 7% and 9% per year. If this level is realized, the sector will contribute between €790 and €930 billion to the European economy in 2020 and will employ between 1.8 and 2.2 million people directly.

In September 2012 the European Commission adopted its Communication on Cultural and Creative Industries, in which for the first time it defines the high-end sector as relying on culture and creativity; recognizes the horizontal high-end business model versus vertical sectors, and the strategic importance of the sector as a growth driver.

In the same package, the Commission also adopted two staff working papers: one on the competitiveness of the fashion sector and one on the competitiveness of the high-end sector.

In the latter, the Commission outlines the fundamentals of the business model, its economic importance, challenges and related policy needs. "Considering the significant impact of the high-end industries on the EU economy and their contribution to EU employment and innovation," the paper concludes, "it is important to ensure that adequate policies are in place at EU level that take into account the high-end business model and help the sector to continue to grow and create jobs".

This package — the result of two years of close cooperation between ECCIA and the Commission — is a great victory for us and represents a milestone in efforts to position the cultural and creative sector with the media, policy makers, civil society and the public at large.

As President of the Alliance representing all the interests of the high-end cultural and creative industries, I can assure you that we will not rest on our laurels but continue to work with the European Commission to secure policies to create the best framework conditions for growth.

ECCIA TIMELINE 2010 - 2012

European
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Year 2010

The European Cultural and Creative Industries Alliance was started in October 2010 by three national associations: Comité Colbert of France, Fondazione Altagamma of Italy and Walpole British Luxury of the UK, with the support of LVMH.

The idea was to form a coalition that could bring issues of common concern to the high-end sector (for instance, matters related to selective distribution) to the attention of the local and European Institutions.

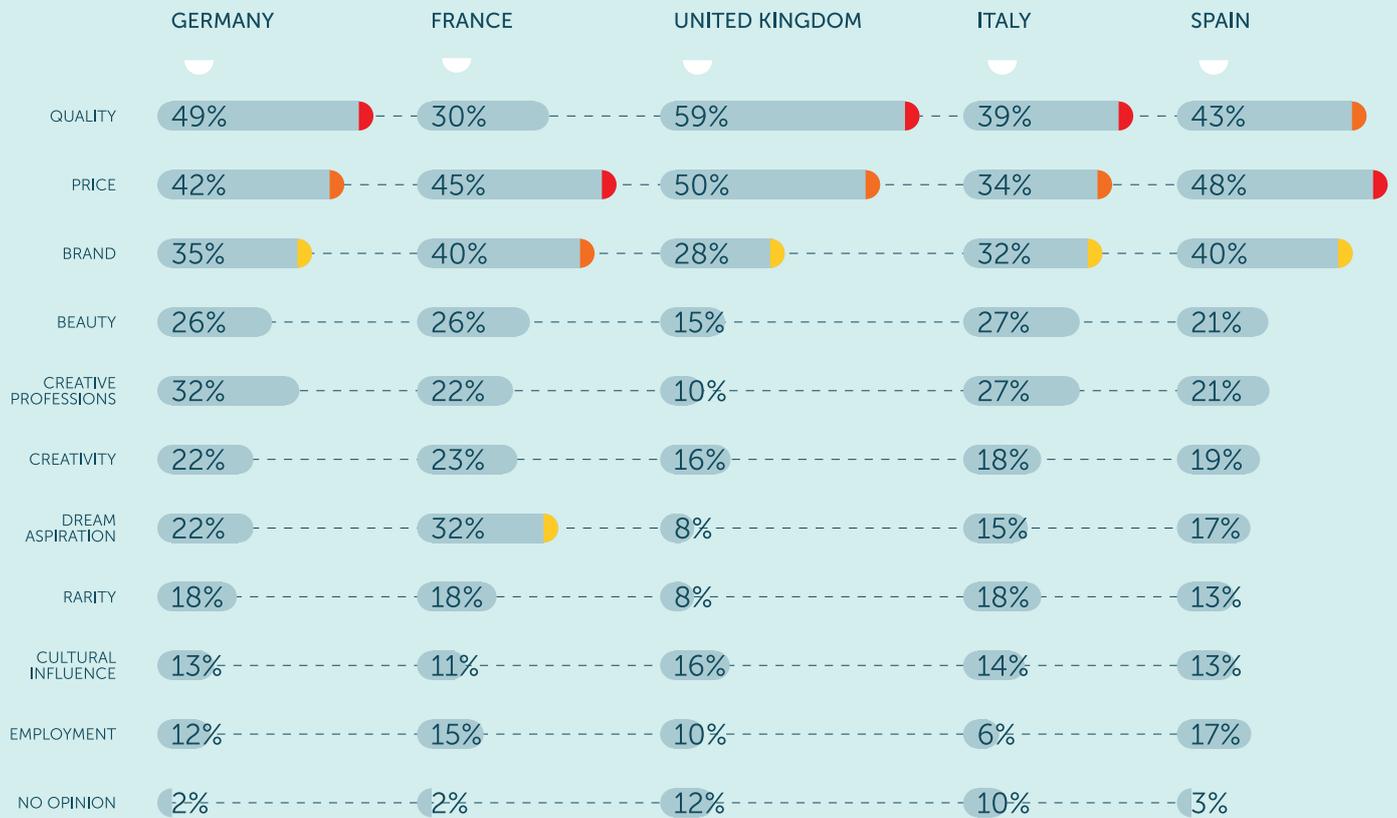
A major breakthrough achievement that year was the confirmation that selective distribution on and off line was a prerogative of the luxury sector.

Another milestone was the conduct of a study carried out by TNS SOFRES revealing citizen perceptions of the luxury goods industry through research in Germany, France, Italy, the UK and Spain, and demonstrating that 76 percent of Europeans think that the high-end industry is the future of Europe.

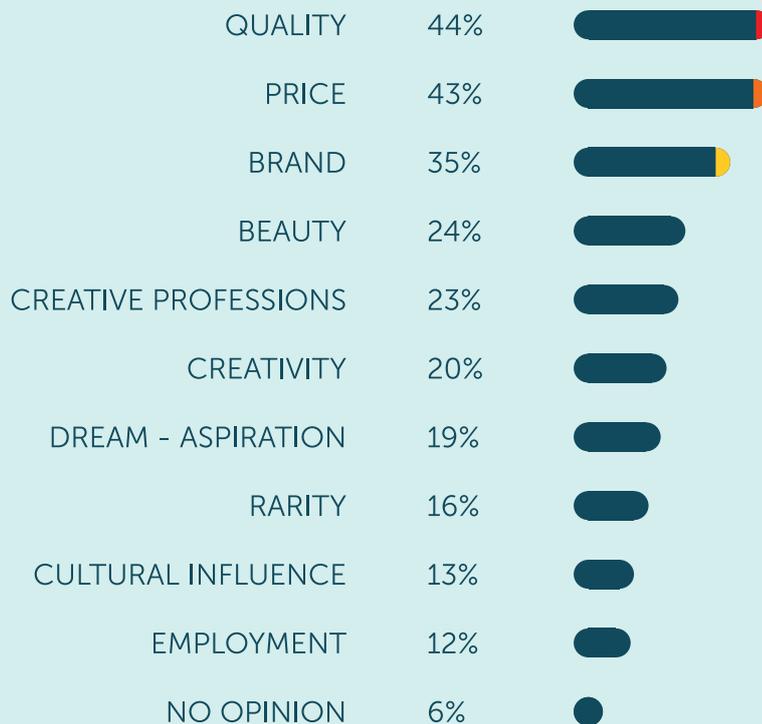
Key findings are illustrated in the two slides below.

CONCEPTS ASSOCIATED WITH THE LUXURY GOODS INDUSTRY

Q1: Please indicate which words in the following list most effectively evoke your perception of the luxury goods industry, its products and stores. (apparel, perfumes, leather goods, watches, jewelry, eyewear, etc.).

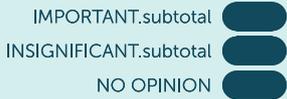
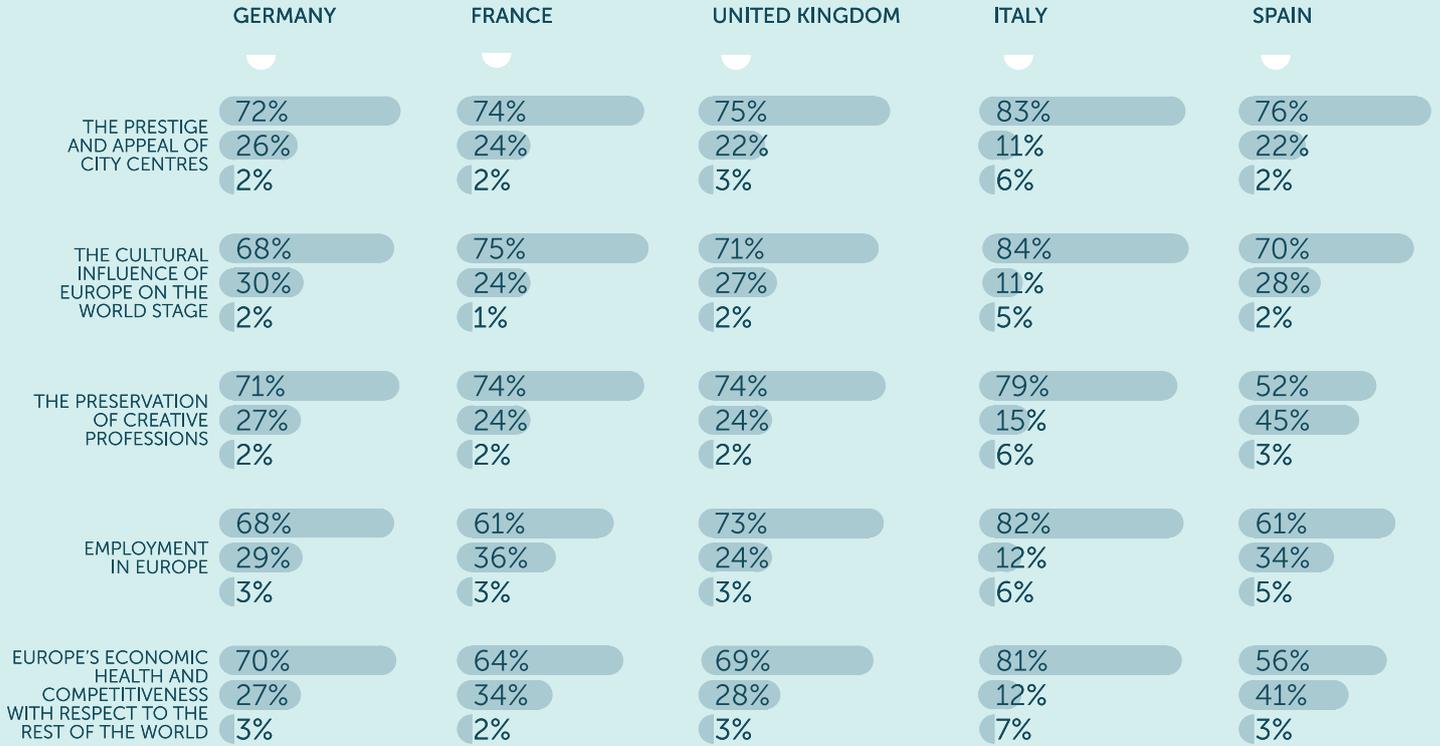


TOTAL

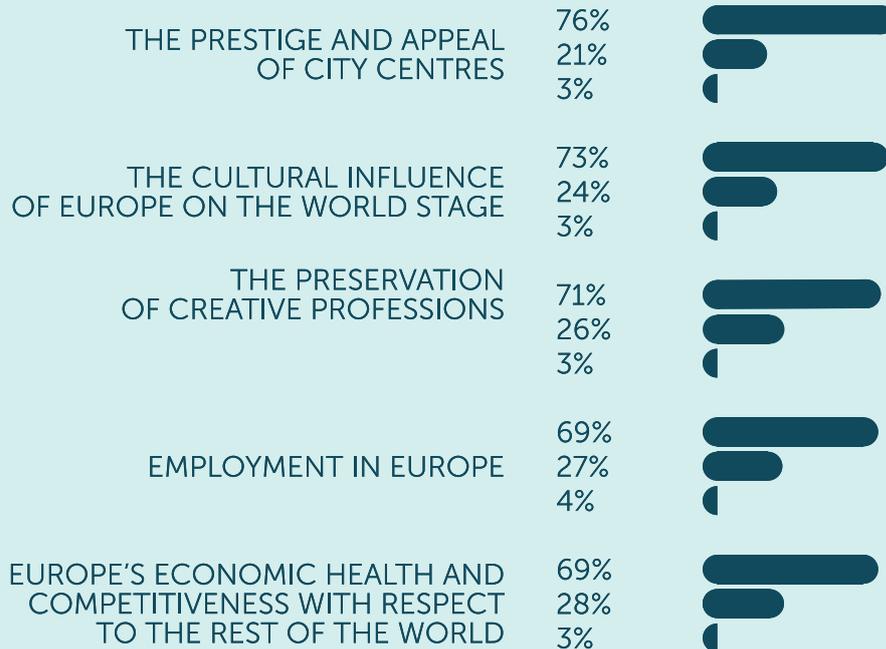


WHAT THE LUXURY GOODS INDUSTRY CONTRIBUTES TO EUROPE

QIV: In your opinion, do the luxury goods industry, its products and its stores play a very important, fairly important or insignificant role in securing:



TOTAL



Year 2011

The Alliance welcomed two new organizations: Circulo Fortuny of Spain, which was formed in June; and Meisterkreis of Germany, created in October.

The Executive Team of ECCIA, in charge of running the alliance, was made official and Mr. Armando Branchini was appointed President.

The alliance started to work on issues related to the importance of selective distribution, European artisanship and craftsmanship, intellectual property and Internet governance, market access, the visa policy and, last but not least, the recognition of the luxury sector as included among the Cultural and Creative Industries at the European level.

ECCIA delegates also participated in commercial missions to Brazil, Mexico, the US and Chile that were organized by Antonio Tajani, Commissioner for Industry and Entrepreneurship and Vice President of the European Commission. The missions aimed to strengthen bilateral relations as part of a strategy to boost economic growth and competitiveness through greater internationalization of European industries and work on market access.

Year 2012

European Cultural and Creative Industries Alliance

ECCIA was positioned at the European Union level as a trusted stakeholder.

The first Permanent Representatives roundtable was organized in Brussels with the French Ambassador to the EU as host and his counterparts from Italy, Germany, Spain and the UK attending. It provided a chance to discuss issues and documents under evaluation by the European Commission.

ECCIA was invited to join high-level roundtable discussions on the competitiveness of the fashion sector with Vice President Tajani (a CEO Advisory Group was formed for that purpose). This helped ECCIA to advance the recognition of the Cultural and Creative Industries sector in the European Parliament and gain recognition as a trusted stakeholder.

The strong relationship ECCIA has built with the European Commission gives us the possibility to get support on such topics as customs/intellectual property enforcement, free trade agreements, the visa policy, digital governance, and selective distribution.

In September the European Commission adopted a Communication on Promoting Cultural and Creative Sectors for Growth and Jobs in which it, for the first time: defines the high-end sector as relying on culture and creativity, recognises the horizontal high-end business model versus vertical sectors and,

most importantly, recognises the strategic importance of the sector as a growth driver for the overall European economy. In the same package, the Commission also adopted two staff working papers, one on the competitiveness of the fashion sector and the other on the competitiveness of the high-end sector.

The Alliance works closely with European Union initiatives: the President of ECCIA takes part in debates, meetings and workshops on topics such as the importance of exports for driving growth in Europe, and the role of EU trade and tourism policy.

ECCIA also develop data and leadership thinking to support policy makers in three areas:

- Economic: the Frontier Economics study was commissioned by ECCIA to show the value of the cultural and creative industries to the European economy;
- Consumers: the TNS Sofres study reveals consumer perceptions of the luxury goods industry through research in Germany, France, Italy, the UK and Spain;
- Legislative: ECCIA prepared Policy Recommendations on such issues as selective distribution, market access and digital governance.

OUTLOOK 2013

European Cultural and Creative Industries Alliance

Today ECCIA has five members — Circolo Fortuny, Comité Colbert, Fondazione Altgamma, Meisterkreis and Walpole British Luxury — working to position the cultural and creative sector as a growth driver for the European economy so that the European Institutions ensure the correct framework conditions for the companies we represent to do business.

ECCIA intends to continue working to bring critical issues to the attention of European policy makers, with the goal of fostering more growth in Europe and increasing consumer protection and trust. They are:

1. Raising awareness on the importance of selective distribution.
2. Focusing on the importance of European artisanship & craftsmanship via cooperation with cultural institutes and with the European Culture and Education Commissioner Androulla Vassiliou.
3. Protecting intellectual property and promoting better Internet governance through policies of notice and action, customs IP enforcement and applying the principle of Duty of Care for Online Service Providers.
4. Sustaining market access and reviewing the visa policy, in particular with regard to the Free Trade Agreement between the European Union and India, the Free Trade Agreement between the European Union and Japan, and the visa facilitation.

For the future the Alliance is considering adding new members, including from Greece and Scandinavia, and the possibility of a partnership with the Swiss watch industry.

ECCIA GOVERNANCE

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The Alliance is governed by the ECCIA Executive Team, which includes one representative from each member organization. The Executive Team is responsible for strategic decisions.

The President of the Executive Team has since October 2011 been Armando Branchini, *Executive Director of Fondazione Altagamma*, one of the founding organizations.

The other members of the Executive Team are:

- Almudena Arpón de Mendivil
Chief Executive of Circulo Fortuny
- Elisabeth Ponsolle des Portes
Chief Executive of Comité Colbert
- Clemens Pflanz
Chief Executive of Meisterkreis
- Julia Carrick
Chief Executive of Walpole British Luxury
- Paloma Castro
Director Global Corporate Affairs of LVMH

The ECCIA Executive Team meets around three times a year to discuss strategy and policies.

Outside of formal meetings, the members of the Alliance are constantly in touch via email and conference calls to ensure the most complete discussion and debate. Decisions are taken unanimously.

DEFINING THE BUSINESS MODEL AND THE RECOGNITION OF THE HIGH-END SEC- TOR'S ECONOMIC CONTRIBUTION

Key developments 2012

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A

Frontier Economics study finds the European luxury sector is a good model for sustainable growth

To show the importance of the European luxury sector as a key driver for European jobs and competitiveness at a time when discussions on how to promote growth lead the agenda for European policy makers, ECCIA commissioned a study by Frontier Economics, a leading economic consultancy, to develop reliable figures on the high-end sector.

The study finds that the European luxury industry is:

- A unique business model. The sector is based on European culture, craftsmanship, and creativity.
- A major contributor to the European economy. The total output of the sector is estimated to exceed €440 billion and represents 3% of Europe's GDP.
- A significant source of employment in the EU. The sector employs around 1 million workers directly and at least another 500,000 indirectly.
- A European trade champion. European luxury brands account for over 70% of the worldwide luxury goods market. The sector exports 60% of its output, representing more than 10% of all exports from Europe.
- A key driver of growth for Europe's future. The sector has recorded double-digit growth in the last two years and, provided the right policy framework is put in place at EU level, should continue to grow by 7% to 9% every year.

Speaking at the launch of the study in the European Parliament on 5 June 2012, the European Commission Vice-President Antonio Tajani, who is responsible for Industry and Entrepreneurship, said: "The report confirms that the European cultural and creative luxury sector is a European flagship industry. Establishing the right framework to ensure its competitiveness is crucial. My services are going to commission a study on the European luxury sector and will put forward policy recommendations before the end of the year."

By highlighting the importance of having the right legislative conditions in terms of protecting industrial property, safeguarding selective distribution and maintaining the aura of our products, the study is an important milestone in protecting the sector from policy threats.

The study's launch event was well covered by Italian, Spanish, English, German, French and Italian media and key figures in the sector were brought to wider public attention.

**DEFINING THE
BUSINESS MODEL AND
THE RECOGNITION
OF THE HIGH-END
SECTOR'S ECONOMIC
CONTRIBUTION**

Key developments 2012

European
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B
Recognition of the High-End Sector as a
growth driver for Europe

ECCIA has worked with European policy makers to ensure the correct framework conditions for our business, including specific regulatory treatment for our brands and recognition of the specificity of our products in policymaking. In this context, three things have been of particular importance in positioning the horizontal high-end sector as a growth driver that needs to be protected by suitable policy:

1. EU Regulation recognizing the need for selective distribution: Under the 2010 Regulation covering distribution agreements, the European Union for the first time adopted a definition of the luxury sector and recognized that the specific characteristics of our business model require specific regulatory treatment. The EU hence allowed the high-end sector — defined by (a) strong investment in intellectual property, (b) selective distribution, and (c) the aura of its products — to maintain its business model.

This activity has been undertaken by Altgamma, Comité Colbert and Walpole that, in the view of getting further recognition of the High-End Sector as a growth driver for Europe, decided to create ECCIA in October 2010.

2. European Commission action plan to boost cultural and creative sector: In the action plan adopted on 26 September, 2012, the European Commission notes that the high-end sector is part of the cultural and creative sector and points to its economic importance in Europe. This means that (a) our products are not only shoes or bags but cultural and creative products, (b) these products and services have a different status as the EU has accepted the differentiation between mass market and high-end, and (c) that the high-end sector has been recognized as a strategic sector for Europe.

3. European Commission Staff Working Paper on high-end industries: In this paper, adopted along with the action plan, the EU Commission notes that “Considering the significant impact of the high-end industries on the EU economy and their contribution to EU employment and innovation, it is important to ensure that adequate policies are in place at EU level that take into account the high-end business model and help the sector to continue to grow and create jobs.”

This Communication package, the result of two years close cooperation with the Commission, is a great victory for our sector, and marks an important milestone in efforts to position our sector with the media, policy makers, civil society and the public at large.

DEFINING THE BUSINESS MODEL AND THE RECOGNITION OF THE HIGH-END SECTOR'S ECONOMIC CONTRIBUTION

Key developments 2012

European Cultural and Creative Industries Alliance

In the Communication, the Commission notes that “the economic performance of the cultural and creative sectors is recognised: in the EU they account for 3.3% of GDP and employ 6.7 million people (3% of total employment). Figures are also important if one considers the fashion and high-end industries (covering in particular high-end fashion, jewellery and watches, accessories, leather goods, perfumes and cosmetics, furniture and household appliances, cars, boats, as well as gastronomy, hotels and leisure), which rely on a strong cultural and creative input. They account for 3% of the EU GDP each and employ respectively 5 and 1 million people, with employment in the high-end industries expected to reach 2 million by 2020.”

The Commission goes further into the detail in the Staff Working Paper, where it notes that “Europe is a global leader in the sector of high-end products and services with a world market share of 70%. Being part of the creative economy, European high-end products are exported worldwide and act as ambassadors of European manufacturing, heritage and culture. Merging traditional craftsmanship and quality manufacturing with high-end technologies, design and innovation, as well as modern marketing and consumer communication, the European high-end industry promotes European values, culture, art, creativity and know-how in the world. Although broader in scope than the cultural and creative sectors, the high-end industries rely on a strong cultural and creative input.”

Recognizing the specificity of the high-end business model, the Commission notes that policy action is needed to specifically support the sector in

1. Protecting the creative efforts of high-end companies and facilitating growth in the digital market
2. Ensuring favourable conditions to maintain export growth
3. Stimulating the spill-over effects to other sectors, such as tourism

Being recognized as a strategic growth driver allows high-end brands to protect their business model under the supervision of EU policy makers.

Having policies in place that take into account the specificity of the high-end sector and the key pillars of the business model is of crucial importance for ECCIA members. The Frontier Economics study found that:

- A 15% increase of intellectual property infringements could lead to a decrease of 20% of revenues in the high-end sector.
- Reduced control of distribution could lead to a 20% decrease in revenues.
- Damage to the aura of high-end products could lead to a 10% decrease in revenues.
- Increase of non-tariff barriers could lead to a 10% decrease in revenues.

**DEFINING THE
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Key developments 2012

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C

European Commission's industrial missions

As part of its work with the European Commission, ECCIA supports Vice President Tajani's efforts to strengthen business relations between the EU and other countries in the context of Commission-led industrial missions. ECCIA is a warmly welcomed business member of the delegations, as it can 'open doors' with the soft power and aura of European high-end brands.

The visit in May 2012 to the United States, Mexico and Colombia belongs to a series labelled "Missions for Growth", which started in December 2011 with a trip to Brazil. ECCIA was also represented in the delegation to Peru and Chile in January 2013.

In meetings with local policy makers, ECCIA delegates highlighted the importance of creating the right framework conditions for growth on both sides of the Atlantic, in particular strong intellectual property protection and removing barriers for trade.

D

CEO Advisory group

To help identify and act upon policy and regulatory issues affecting the competitiveness of the fashion and high-end sectors, Vice President Tajani set up a High-Level Advisory Board consisting of business leaders from both sectors. This executive-level cooperation with the Commission has been crucial in shaping the right framework conditions for our business.

The decision to establish the advisory board followed a CEO lunch on 22 November 2011, where industry leaders came together in Brussels to discuss key challenges to the fashion sector with Vice President Tajani. Afterward, the commissioner confirmed that he would order a study into the competitiveness of the luxury sector as a whole (covering horizontally all high-end segments, not only luxury fashion), thereby showing his understanding for the specificity of our sector.

The next meeting of the high-level advisory board took place in June 2012, after which the Staff Working Paper on the High-End Sector was published. Vice President Tajani's staff also worked with Culture Commissioner Vassiliou on a political action plan to boost the competitiveness of Cultural and Creative Industries (see above).

The last meeting of the Advisory Board took place on 12 February 2013 in Brussels.

**DEFINING THE
BUSINESS MODEL AND
THE RECOGNITION
OF THE HIGH-END
SECTOR'S ECONOMIC
CONTRIBUTION**

Key developments 2012

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**E
ECCIA Ambassador roundtables**

Since 2011, ECCIA has also been enhancing its national contacts at the European level through Ambassador Roundtables, hosted by the Ambassador of one of its member countries.

The first roundtable was hosted by the French Ambassador in March 2012, and the second took place under the leadership of the Italian Ambassador in February 2013.

ECCIA AS AN EFFECTIVE ADVOCATE FOR THE HIGH-END SECTOR

Key developments 2012

European
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A
Advocacy activity and priority issues,
EU Registry

Based on the identified key drivers of the business model, ECCIA engaged in policy advocacy work with EU and national policy makers in the areas of:

- Selective Distribution
- European Artisanship and Craftsmanship
- Intellectual Property & Internet Governance
- Market Access and Visa Policy
- Institutional Recognition of Our Industry

In order to become a recognized stakeholder with EU policy makers, ECCIA registered in the European Commission's Register of Interest Representatives and applied for stakeholder membership to the European Observatory against counterfeiting and piracy in 2012.

B
ECCIA Policy Recommendations

Along with the launch of the Frontier study, ECCIA also published its recommendations for European policy makers.

The recommendations are based on a scenario model developed by Frontier that highlights the costs related to policies undermining the pillars of the high-end business model. An overview is available in the table below (*source: Frontier Economics, the value of the cultural and creative industries to the European economy, p. 4, June 2012*).

SUMMARY OF IMPACT ANALYSIS

PILLAR	SCENARIO	OUTPUT LOSS billions of euro	EMPLOYMENT LOSS	TAX AND WELFARE IMPACT billions of euro
INDUSTRIAL PROPERTY	Impact of a 5% increase in IP infringement	43	98,000	14
	Impact of a 15% increase in IP infringement	79	180,000	26
SELECTIVE DISTRIBUTION	Reduced control over distribution leads to a 20% decline in output	84	190,000	27
AURA AND ACCESS TO CRAFTSMANSHIP AND CREATIVITY	10% increase in the cost base	12	27,000	4
	20% increase in the cost base	24	54,000	8
	5% decline in demand as a result of reduced aura	21	48,000	7
	10% decline in demand as a result of reduced aura	42	95,000	14
TRADE BARRIERS	20% increase in price tariffs	2	5,000	0.7
	10% decline in imports as a result of non-price tariff increases	3.4	7,600	1

**ECCIA AS AN EFFECTIVE
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Key developments 2012

B
ECCIA Policy Recommendations

European
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For us to continue to grow successfully and to increase consumer protection and trust, ECCIA believes that a number of critical issues need the urgent attention of European policy makers:

1.
Support European growth-driving industries: further foster the specificity of the luxury sector.

We believe EU policy should support contributions to the sustainable growth of the European economy and recognise sectors that have established European leadership in global markets by building on European culture and heritage in designing and creating products and adhering to the highest standards in European manufacturing. In particular, ECCIA believes that EU policy makers should:

- Recognise the intrinsic value of intellectual property for society at large;
- Safeguard consumer protection and brand values by recognising the benefits of selective distribution in both sales and after-sales markets, online and offline;
- Recognise the cultural value of products in policy making.

2.
Support employment: encourage European artisanship and craftsmanship.

To respond to the increasing demand for craft products designed in Europe and to close the gap between education and skills needed for employment, it is essential to encourage European artisanship and craftsmanship. The European Commission should recognize this in its upcoming Communication “Towards a job-rich recovery,” as part of the implementation of the “Agenda for new skills and jobs” by:

- Putting in place supportive initiatives, including apprenticeship programmes for artisans and craftspeople;
- Further supporting the coordination among design and fashion universities;
- Encouraging partnerships between public institutions and private business for the development of curricula oriented toward the needs of the job market.

**ECCIA AS AN EFFECTIVE
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B
ECCIA Policy Recommendations

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3. Support the export of European products: foster suitable trade platforms.

Exporting our brands is not only about selling products – we believe our brands are ambassadors of European values. By exporting European products that are based on highest standards in every aspect, we help spread the word about core European values. However, our work is jeopardized by protective practices in some countries that seek to control trade flows in mass-market goods. These impediments include not only high and discriminatory tariffs, layered taxation and local duties, but also technical trade barriers such as complicated import license procedures and product registration rules. To address this, we believe the European Commission should:

- Take the specificity of the luxury sector into account in trade negotiations. The excellence that is unique to our values does not generally face local competition in our export markets;
- Strive for trade liberalisation with Free Trade Agreements and enhance visa facilitation to boost tourism in Europe.

4. Increase consumer trust to encourage online growth and innovation

Over the last few years, several ideas have emerged that would create more transparency and certainty for consumers and businesses when operating online and would allow the digital environment to grow more sustainably. They are:

- Apply the same regulatory rules offline and online;
- Apply the principle of Duty of Care for Online Service Providers; as well as to protect consumers against unfair commercial practices.
- Exclude Online Service Providers that are actively involved in the commercial transactions of third parties from safe harbour protection and ensure that commercial activities imply identity disclosure;
- Clarify the scope of injunctions to include pro-active measures against repeat infringers, including an obligation to prevent similar infringements in the future;
- Introduce EU harmonisation of compulsory notice-and-takedown procedures;
- Prevent abuse of a brand's reputation by outlawing unauthorised keyword advertising with registered trademarks.

C

Key actions 2012:

I. Customs IPR Enforcement

ECCIA actively participated in the revision the EU Customs IPR Enforcement Regulation, which lays down the rules for customs authorities for the seizure and destruction of counterfeit goods at EU borders. Through letters, public statements and direct contacts with EU policy makers, ECCIA ensured that the high-end industry's interests were taken into account at each step of the legislative process, which ran from 2010 until the end of 2012.

II. Selective Distribution

By closely monitoring policy developments and highlighting the importance of selective distribution for the high-end sector, ECCIA contributed to maintaining the regulatory status quo, allowing high-end brands to respect the nature of their products in distribution agreements.

III. Removing illegal goods from the Internet

To better protect brands online, ECCIA submitted a response to the European Commission's consultation on the removal of illegal content from the Internet.

IV. Opening new markets and boosting demand through tourism

Throughout 2012, ECCIA participated actively in shaping trade policy priorities. For example, ECCIA joined a cross-industry coalition to support the opening of negotiations on an EU-Japan Free Trade Agreement, was directly involved with European and Indian policy makers on the EU-India Free Trade Agreement, and participated in a Commission-led media campaign tied to the one year anniversary of the EU-Korea Free Trade Agreement.

V. Taxation

ECCIA actively participated in the revision the EU Customs IPR Enforcement Regulation, which lays down the rules for customs authorities for the seizure and destruction of counterfeit goods at EU borders. Through letters, public statements and direct contacts with EU policy makers, ECCIA ensured that the high-end industry's interests were taken into account at each step of the legislative process, which ran from 2010 until the end of 2012.

ECCIA CHALLENGES AND PRIORITIES

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This year ECCIA's strategic policy will focus on:

1. The reinforcement of available tools to understand how consumers perceive luxury.
2. Increasing national engagement on the importance of the fundamentals of the high-end cultural and creative industry's business model.
3. Supporting employment through the encouragement of European artisanship and craftsmanship.
4. The support of the specificity of the luxury sector through the recognition of the intrinsic value of intellectual property.
5. Increasing consumer trust to encourage growth and innovation online through better Internet governance.
6. Supporting European exports by fostering suitable trade platforms.
7. Collaborating with the European Commission on its action plan to bring to its attention all the issues related to the high-end cultural and creative industries.

1.
The reinforcement of available tools
to understand how consumers perceive luxury.

A survey carried out by TNS Sofres in 2009 in five European countries — Germany, France, the United Kingdom, Italy and Spain — has been an important tool for understanding public perceptions of the luxury goods industry. 76 percent of Europeans think that our industry is the future of Europe. But it is important to keep in touch to know if high-end companies are working on the right aspects to protect their selective distribution, craftsmanship, market access and Internet governance.

Thus, ECCIA will update the study this year. TNS Sofres will interview 5,000 Europeans from key countries about their views on the significance and qualities of the sector. The new study will be launched in Brussels in Q2 2013 under the leadership of senior EU executives.

The questions being posed are to ascertain if the perception of luxury changes according to the distribution, price policies or the role that the industry plays overall in Europe at the economic, institutional and social levels.

The 2009 report was quite positive. It showed that consumers believe the luxury goods sector plays a significant role with respect to employment, to Europe's economic health and global competitiveness and to the preservation of the creative professions. It also has a key role in enhancing the prestige and appeal of city centres and in enhancing Europe's cultural outreach to the rest of the world.

Intangible attributes and the aspirational image of the luxury brands are particularly important to consumers. Thus, people surveyed in all five countries believe there is a need to reserve specific points of sale for luxury products, with dedicated brand retail staff or on dedicated brand websites. Selling in hard-discount stores or on non-specialized web platforms would decrease the cachet of the goods because consumers will feel less attached to brand and more concerned about whether the product is of the same top quality.

2.
Increasing national engagement on the importance of the fundamentals of the high-end cultural and creative industry's business model.

To build and maintain support for high-end industry at the European level, it is necessary first to make the importance of the fundamentals of the business model used by high-end cultural and creative industries understandable at the national level.

ECCIA members have committed themselves to gaining official recognition of the high-end industry as a strategic sector in each member state, in part by raising their visibility in national policy making circles.

In Brussels, ECCIA will continue to cement the network sustaining high-end industries as a growth driver through close contacts with the Permanent Representations of the UK, Germany, France, Italy and Spain.

Another way is to sensitize the national governments directly. Toward that goal, each ECCIA member sends statements to its own government to spur them toward a common position.

3.
Supporting employment through the encouragement of European artisanship and craftsmanship.

One of ECCIA's priorities in 2013 is to make European governments and the European Commission and Parliament realize that craftsmanship and artisanship are at the heart of the luxury proposition. Access to an appropriately skilled and trained workforce is essential for the continued success of the sector, and ECCIA will continue its work at the EU level to make that clear to policy makers.

In Europe, this quality and craftsmanship is deeply engrained in the DNA of the brands and is closely associated with a European reputation and heritage for high quality in manufacturing.

Luxury goods companies spend more than €700 per employee per year on training. Given the size of the European luxury workforce, this suggests that the sector spends over €700 million per year on training. Yet in recent years the sector has found it increasingly difficult to secure and maintain the necessary skilled workers. This is driven in part by education policies that place less emphasis on encouraging careers in manufacturing and craftsmanship through partnerships with industry and apprenticeships relative to more academic career paths.

Such policies should be reconsidered. This type of general skills training has elements of a public good, and so is unlikely to be optimally provided by the market operating alone.

Of greatest concern is that luxury brands would not be able to maintain the quality of their manufacturing, with the result that the quality of the products diminishes. This would hurt demand generally and make European luxury products more susceptible to competing products from other markets. That is a particularly worrying concern, as Europe's reputation in these sectors has been built up over centuries and, once lost, could take a very long time to regain — if ever.

4. The support of the specificity of the luxury sector through the recognition of the intrinsic value of intellectual property

European governments and the European Commission and Parliament should recognize that the protection of intellectual property rights is one of the most important things for the survival of the high-end sector, with related benefits for the overall European economy.

The price of luxury products covers the investment in the development and protection of intellectual property.

Yet infringements of IP rights, in particular counterfeiting, have increased substantially over the last decade, and are likely to continue to increase. A driver of this growth has been the expansion of Internet access.

Recently ECCIA welcomed the European Parliament's and Council's work on the Commission proposal for the revision of the Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights. It suggests improvements in several areas of the current Regulation that will raise the overall level of enforcement of IP rights.

The DG Internal Market has been working on the proposal for the past 18 months and there is very little time left to intervene; we ask the authorities to seriously consider the issue.

Our main concerns are:

1. As regards EU competitiveness in the global economy, the proposed harmonization of trade mark in the EU should provide clarity and legal certainty for the use of a trade mark and the rights it confers.
2. Regarding the codification of brand protection online and trade mark rights, we feel that the trade mark revision does not provide protection equal to that in the physical economy. This implies that the online economy is still treated differently than the bricks-and-mortar economy.
3. Under the provisions on goods in transit, the codification of what customs are actually entitled to control at EU borders to fight counterfeiting is key to the proposal. We are very concerned that the ECJ Nokia/Philips case law drastically reduced controls by customs in the EU, and do not wish that case law to guide provisions on counterfeiting in the Community trade mark Regulation.
4. Outside the European Union, threats to the protection of Russia's trade mark regime are currently at play, affecting the capacity of Russian customs to take full action regarding parallel imports and the import of counterfeit goods across Russian borders. We are very concerned to maintain the system of "national exhaustion of rights" in Russia to maintain control over the import of counterfeit goods.

5. Increasing consumer trust to encourage growth and innovation online through better Internet governance.

European governments and the European Commission and Parliament should also acknowledge that a better governance of the goods sold via the Internet will help growth and innovation online.

ECCIA will run advocacy campaigns this year on two priority policy initiatives: the revision of the EU trade mark system and the Commission's proposal for the removal of illegal goods from the Internet. Both initiatives will contribute to better protection for high-end brands.

6. Support European exports by fostering suitable trade platforms.

Access on fair terms to growing markets in Asia and the BRIC countries is essential to the continued success of the luxury sector. More progress in reducing trade barriers and increasing trade integration across these markets is fundamental to the luxury business model.

Thus, ECCIA will keep pressing for Free Trade Agreements between the European Union and Japan, Russia, India, Brazil and China to follow the FTA signed with South Korea, which marked its first anniversary last year. It also will further increase the high-end sector's presence in trade talks, including highlighting ad hoc market access challenges that its members are facing.

European companies also will have to deepen their economic and commercial partnerships beyond the existing borders of the European Union if they are to strengthen their competitive position internationally.

Toward that end, ECCIA joined the leading European business associations, representing more than 1 million companies, in a common position calling for the liberalization of business visa requirements with Russia and Eastern Europe.

The creation of a coordinated economic space is one of the most important challenges of the forthcoming decade. Current business visa requirements are a continual impediment and their easing is one of the conditions for growth and job creation.

7. Collaborating with the European Commission on its action plan to bring to its attention all the issues related to the high-end cultural and creative industries.

ECCIA's strategy has not only positively influenced the European Commission's generic terminology with regard to the luxury industry ("Cultural and Creative Industry") but also shaped the EU's political agenda, with the launch of several initiatives emphasizing the specificity of the sector and the need for a tailored policy framework.

In 2013 ECCIA would like to keep working to give the European Commission the right tools to shape a framework that promotes the prosperity of the sector and the overall European economy.

The organization is an active participant in meetings organized by the European Commission to discuss concrete actions to follow up the two Staff Working Papers released with the Cultural and Creative Industry Communication.

ECCIA proposed two types of action: legislative and non-legislative. The former included a harmonized system for removing illegal content from the Internet and the revision of the EU trade mark system, taking into account the specificity of the European high-end industries.

Non-legislative actions include the creation of a network of Schools for High-End Excellence; the creation of an IP awareness campaign in tourist destinations, informing consumers of the societal, ethical, economic and environmental consequences of purchasing counterfeit products; the organization of a high-level international conference on the theme "Securing Competitiveness through IP", the boosting of tourism through visa facilitation and access to new markets.

ECCIA will also support together with the Commission the organization of conferences devoted to the fundamentals of the high-end industries in Milan (June) and in Paris (September). These events will lead to a Forum on the High-End Industries in London in December 2013, which will gather senior EU policymakers and industry representatives and will feed into an action plan from the Commission, outlining concrete initiatives to support the high-end sector.

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