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**Revision of the Block Exemption Regulation for Vertical Agreements ("Vertical Block Exemption Regulation") / Minimum Advertised Price (MAP) / ECON Report**

Berlin,  
04.05.2022

Dear Members of the European Parliament,

this week's plenary session of the European Parliament (2 to 5 May 2022), is essential for the prosperity and continuity of an entire economy. MEP Andreas Schwab will present the ECON Annual Report on Thursday. His report "REPORT on competition policy - annual report 2021" will deal, among other things, with the introduction of a **Minimum Advertised Price (MAP)**, which was included in the EU Commission's guidelines as part of the **revision of the Block Exemption Regulation for Vertical Agreements (VBER)**.

For the debate's resolution, the already published report and the assessment of the ECON is of enormous importance. Accordingly, the European Musical Instrument Alliance (EMIA) interprets the Commission recommendation of the ECON Committee, regarding the introduction of a Minimum Advertised Price (MAP), positively. There are also parliamentarians who are in favour of such a novelty and the introduction of a MAP:

*(74) "Considers that the distinction made in the draft guidelines to the VBER revision between resale price maintenance (RPM), distorting the market, and minimum advertised price (MAP), which could be allowed under certain circumstances and conditions, could constitute a tool to support SMEs to withstand aggressive price competition on online marketplaces; asks the Commission, to this end, to clarify in the guidelines the conditions under which MAP does not constitute RPM"*

*Excerpt: REPORT, on competition policy – annual report 2021 (2021/2185(INI)) Committee on Economic and Monetary Affairs Rapporteur: Andreas Schwab*

The European Musical Instrument Alliance (EMIA) therefore explicitly welcomes the draft Vertical Guidelines and **asks for the support of the European Parliament and for approval of the current draft or the**

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**Annual Report**, which provides for a review and explanation as well as a comprehensive MAP in the final new Vertical Guidelines.

On 4 February 2019, the European Commission had opened the public consultation on the revision of the Block Exemption Regulation for vertical agreements, which will expire on 31 May. This revision also provided a good opportunity for the musical instruments and equipment (MI) sector to adapt the Vertical Block Exemption Regulation to the requirements of the market. As the sector, like many other industries, has been confronted with very aggressive business practices for several years, the diversity of the music product range in Europe, as well as the competitiveness of the European industry on a global level, is at risk.

For years, products in the musical instrument and music equipment industry have been losing value due to price-damaging competition. Specialist retailers (online and stationary) are forced to permanently compete with each other in the battle for the customer's favour. In the end, the only thing that counts is the closing of a sale - no matter at what price, to the detriment of brand owners and music retailers. This process is not without consequences: Every third music shop has closed in the last decade. In particular, a continuous (especially digital) market concentration is gradually depriving a large number of retail shops of their business basis. As cultural mediators and ambassadors, specialist music retailers make an important and essential contribution to musical and cultural diversity, especially in their respective regions.

The implementation of a **MAP is intended to create the necessary regulatory framework so that manufacturers and distributors as well as dealers** (small to medium-sized enterprises SMEs) **can continue to maintain their economic activities in international competition.** In our view, a MAP is to be seen as an instrument that preserves diversity and competition, acts in a consumer-friendly and customer-oriented way and can prevent the unwanted formation of monopolies as well as the decline of the specialised retail trade in its important cultural function and significance. As a unilateral measure that only prevents retailers from advertising prices below a certain level, a MAP does not prevent retailers from ultimately selling below a certain price and can therefore rightly not be categorised as RPM. Moreover, allowing a MAP policy would prevent some of the most visible (online) price promotions and thus limit the adverse effects of (algorithmic) price adjustments and counteract the most negative consequences of replenishment sales and loss-leader offers, even if only partially. The adoption of such regulation would also protect against the flogging of branded products and therefore at the same time save the trade as well as the variety of musical instruments and musical equipment for the consumer.

It should not go without mention in this context that for more than 10 years, companies, manufacturers and distributors in the United States of America, Canada and Australia have been legally permitted, with the help of the MAP, to protect branded products from a ruinous sell-out by the trade and greed for profit.

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In particular, and we would like to underline this, **a MAP will strengthen European market structures vis-à-vis the constantly growing international markets.** A MAP guarantees a "Made in Europe" in the medium and long term, because only in this way the traditional European companies (SMEs) will have a real chance against the high-tech and giga-corporations, that dominate the market and cannot be considered consumer-friendly. The background is, that SMEs and brands do not have the possibility to sell goods in their own shops in Europe like multinationals aka Weber Grills, Prada, Apple and others. They do not have their own "distribution chain" and therefore cannot fix final prices to the consumer. Manufacturers and distributors in the MI sector usually do not sell their products directly to end customers, but distribute them through retailers (so-called "vertical distribution"). This is associated with considerable antitrust risks for the companies involved.

In summary, a MAP can be an effective instrument to correct distortions of competition between brands. Manufacturers are sustainably motivated to invest in product quality. In contrast to RPM, a MAP preserves the incentives for inter-brand competition within the shop.

For this reason: Please support the report and the introduction of a MAP, for strong SMEs and a strong European market.

We would be happy to be at your disposal for further in-depth discussions.

Yours sincerely



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