OECD Studies on SMEs and Entrepreneurship

Local Retail, Global Trends

How Digital, Green and Skills Shifts in the EU are Reshaping SMEs in Towns and Cities

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This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

Please cite this publication as:
OECD (2026), *Local Retail, Global Trends: How Digital, Green and Skills Shifts in the EU are Reshaping SMEs in Towns and Cities*, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://doi.org/10.1787/55e2edec-en.

ISBN 978-92-64-94872-3 (print)
ISBN 978-92-64-81681-7 (PDF)
ISBN 978-92-64-54229-7 (HTML)

OECD Studies on SMEs and Entrepreneurship
ISSN 2078-0982 (print)
ISSN 2078-0990 (online)

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Corrigenda to OECD publications may be found at: https://www.oecd.org/en/publications/support/corrigenda.html.

Foreword

Retail is one of Europe's most visible and vital economic sectors. It not only connects producers and consumers, but also shapes daily life in towns and cities. Today, the sector stands at a crossroads. Global trends such as digitalisation, e-commerce, evolving consumer behaviour and regulatory shifts aimed at greening SME activity are reshaping how retail businesses operate, the skills they require, where they locate and what they need to succeed.

Small and medium-sized enterprises (SMEs) are at the heart of this retail transformation. Representing the vast majority of retail businesses and jobs in the EU, they face growing pressure to adopt new digital tools, implement sustainability practices and respond to changing local demand. The twin transition holds significant potential to revitalise the retail landscape, but it also risks leaving smaller, independent businesses behind.

This report provides an in-depth analysis of how retail SMEs are navigating the twin transition, and what this means for the sector's competitive environment, labour markets and the vitality of city and town centres. Drawing on established and original data sources, as well as a comprehensive mapping of national and local policy initiatives, the three main chapters of the report examine these interconnected dimensions: SME competitiveness, employment and skills, and the role of retail in towns and cities for local economies and quality of life.

The report highlights the uneven pace of digital and green adoption, persistent barriers to workforce development, and the need for coherent, place-based policies to sustain vibrant city and town centres. It also discusses how digital tools and sustainable practices can translate into higher productivity and greater resilience, when SMEs have the capacity to adopt and deploy them effectively.

The evidence and policy insights presented aim to support EU institutions, national governments and local authorities in designing measures that help retail SMEs adapt and actively contribute to a more digital, sustainable and inclusive economy. Realising the potential of the twin transition as a driver of renewal will depend on coordinated action across levels of government, coherent strategies and targeted support for finance, skills and infrastructure. With an enabling environment in place, retail SMEs can continue to act as engines of innovation, employment and community life across the EU.

Acknowledgements

This publication was produced by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), led by Lamia Kamal-Chaoui, Director, and Nadim Ahmad, Deputy Director, as part of the programme of work of the Committee on SMEs and Entrepreneurship (CSMEE), the Local Employment and Economic Development Committee (LEED), and the Working Party on Urban Policy (WPURB) of the Regional Development Policy Committee (RDPC). It received financial support from the European Commission through the project “The Twin Transition and the Future of Retail SMEs in Urban and Rural Areas”.

Marco Bianchini, Economist and D4SME Coordinator (CFE/SMEE) co-ordinated the report, under the supervision of Lucia Cusmano, Head of the SME and Entrepreneurship Division (CFE), in co-operation with Anna Rubin (CFE/LESI), Wessel Vermeulen (CFE/LESI, Trento), Camille Viros (CFE/CITY) and Tadashi Matsumoto (CFE/CITY), under the supervision of Soo-Jin Kim (CFE/CITY).

Chapter 2 on "The twin transition of retail SMEs" was prepared by José Montegu, Policy Analyst (CFE/SMEE), under the supervision of Marco Bianchini, with research support from Daniel Ruiz de la Concha (CFE/SMEE) and Maria Sofia Malaver Suarez (CFE/SMEE). The section on "Measuring web technology adoption in retail: Evidence from five EU countries" was prepared by Giuseppe Cappellari, under the supervision of Wessel Vermeulen and Carlo Menon (CFE/LESI, Trento). The section was subsequently revised and adapted by José Montegu to ensure consistency and coherence within the chapter. Comments from Rudiger Ahrend (CFE/EDS) are gratefully acknowledged.

Chapter 3 on "Addressing labour shortages in Europe’s retail sector" was prepared by Wessel Vermeulen, with support of Francesco Romagnoli (intern), Mattia Corbetta (CFE/LESI, Trento) and Katerina Ciampi Stancova (CFE/LESI, Trento). Comments from Ana Moreno Monroy (CFE/EDS) and Karen Maguire (CFE) are gratefully acknowledged.

Chapter 4 on "Harnessing the twin transition to revitalise retail SMEs in town and city centres" was prepared by David Burgalassi (CFE/CITY), Lukas Kammerer (CFE/LESI) and Thomas Kergonou Jimenez (CFE/CITY), under the supervision of Anna Rubin (CFE/LESI) and Camille Viros (CFE/CITY), with contributions from Celia Benhocine (CFE/LESI), Elizabeth Doherty (CFE/CITY), Marion Lagadic (CFE/CITY), Andrew Lombardi (CFE/CITY) and Alicja Mizeracka (CFE/CITY).

Special thanks for their co-operation and feedback in the preparation of the report are extended to Joanna Zawistowska (Policy Officer), Geraldine Fages (Senior Expert), and Giulia Del Brenna (Head of Unit) from the Food, Retail and Health Ecosystem, Directorate General for Internal Market, Industry, Entrepreneurship and SMEs of the European Commission, led by Kristin Schreiber (Director).

Thanks are due to the Delegates of the CSMEE to whom the report was submitted for comments by the 23rd of December 2025, under cote [CFE/SME(2025)22], and of the other relevant OECD Committees and Working Party (LEED, RDPC and WPURB).

Thanks as well to Marguerita Lane (Economist) and Michele Tuccio (Senior Economist, Directorate for Employment, Labour and Social Affairs, OECD), Jan Tscheke (Policy Analyst, Directorate for Science, Technology and Innovation, OECD), Leena Whittaker (Director, EuroCommerce) and Else Groen (Director General, Independent Retail Europe), for their thoughtful comments on the draft report.

The report also benefited from discussions held in four dedicated knowledge events. Special thanks to Deputy State Secretary Zaiga Lepina (Ministry of Economics, Latvia) and to the experts who contributed

as panellists (in alphabetical order): Claire Albaret (Chief Operating Officer, Belgian Association of Town Centre Management, Member of the board of directors of Town Centre Management Worldwide), Prof. Else Bruegelmans (Full Professor, Faculty of Economy and Business, KU Leuven), Philippe Crist (Senior Advisor, Mobility Innovation and Foresight, International Transport Forum, OECD), Anton Delbarre (Chief Economist, EuroCommerce), Valeriya Despaihne-Chernyak (Adviser Jobs & Skills, EuroCommerce), Oran Doherty (Head, Retail Ireland Skillnet, Ireland), Diana Filip (Deputy CEO & Chief Development Officer, JA Europea), Fabio Fulvio (Director of Marketing, Innovation and Internationalization, ConfCommercio), Diane Gallais (Deputy Head of the *Action Coeur de Ville* national programme, *Agence Nationale pour la Cohésion des Territoires*, France), Annika Flaten (Director of Commerce and Tourism, UNI Europa, The European Services Workers Union), Fabian Ladda (Head of Policy for Local Commerce, Wolt), Holly Lewis (Co-founding Partner at We Made That and Town Architect for London Borough of Hackney), Helena Loredan (Director of the Institute for Youth, Culture, and Tourism, Koper, Slovenia), Pedro Profírio Coutinho Guimarães (Assistant Professor at the Institute of Geography and Spatial Planning, Lisbon University, Portugal), Mats Johansson (CEO, Swedish Retail and Wholesale Council, Sweden), Friederike Morgenstern (Counsellor, Federal Ministry of Economic Affairs and Climate Action of Germany), Anne Papke (Legal Officer, Federal Ministry of Economic Affairs and Climate Action of Germany), Hiroyuki Oiwa (former Policy Analyst, OECD CFE), Eleonora Orso (Forum and Policy Officer, EuroCities), Lukas Reiff (Policy Officer, Federal Ministry of Labour and Economy of Austria), Ricardo Rio (Mayor of Braga, Portugal), Prof. Thomas Rudolph (Full Professor of Marketing and Retail Management, University of St Gallen), Gilles Scholtus (Director General, General Directorate SME, Crafts and Trade, Ministry of Economy of Luxembourg), Isabelle Senand (Director of Studies, *Fédération des Entreprises du Commerce et de la Distribution*), James Waterworth (Director of EU Public Policy, Amazon), Josep Xurigué (Deputy Director, Barcelona Comerç).

The report also benefited from discussions held with national governments officials and city practitioners for the various case studies. Special thanks to the experts who contributed their insights (in alphabetical order): Nerea Ansuategui (Business Promotion Technician, Bilbao Ekintza, Spain), Sofia Barturen Ugalde (Head of the SME and Retail Division, Bilbao Ekintza, Spain), Charlotte Boulton (Principal Research Officer, Ministry of Housing, Communities and Local Government, United Kingdom), Dominique Consille (Head of the *Action Coeur de Ville* national programme, *Agence Nationale pour la Cohésion des Territoires*, France), Pedro Couto Soares (Advisor to the Mayor, Municipality of Braga, Portugal), Romain Desroches (City centre manager, Municipality of Poitiers, France), CJ Dippel (Spatial economy policy advisor, Municipality of Amsterdam, The Netherlands), Luc Faraldi (International policy coordinator, *Agence Nationale pour la Cohésion des Territoires*, France), Mateja Hrvatin Kozlovič (Deputy Mayor, Municipality of Koper, Slovenia), Dr. Darka Jezeršek Žerjal (Expert Associate, Municipality of Koper, Slovenia), Karen Kenny (Planning Senior Advisor, Department of Housing Local Government and Heritage, Ireland), Kolokotroni Konstantina (Officer, Ministry of Environment, Greece), Chiara Lucchini (Head of the Territorial development, Torino Urban Lab, Italy), Arnulf Marquardt-Kuron (City manager, Municipality of Bonn, Germany), Dritsas Michalis (Executive, Ministry of National Economy and Finance, Greece), William Milburn (Delivery, Data, Finance and Programme Delivery Leader, Department for Levelling Up, Ministry of Housing, Communities and Local Government, United Kingdom), Liliana Popescu (Associated Professor, Geography Department, University of Craiova, Romania), Julie Reynard (Deputy Mayor for Local Economy and Agriculture, Delegate for Trade, Markets and Crafts, Municipality of Poitiers, France), Pauline Riordan (Planning Advisor, Department of Housing, Local Government and Heritage, Ireland), Antonios Stasis (Director General, Ministry of Digital Governance, Greece), Jason Taylor (Planning Advisor, Department of Housing, Planning and Local Government, Ireland), Christina Tseliou (Head of Communication and Publicity, Ministry of Economy & Finance, Greece), Cristiana Vîlcea (PhD Lecturer, Geography Department, University of Craiova, Romania).

Jack Waters (CFE) helped prepare the report for publication with the support of Heather Mortimer Charoy (CFE), who also provided project and administrative assistance together with Juan Mendez (CFE).

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Executive summary

Retail ecosystems are undergoing profound structural transformation. Global trends such as the rise of e-commerce and growing environmental awareness are disrupting traditional business models, creating both challenges and opportunities for retailers, their employees and the local communities they serve. Small and medium-sized enterprises (SMEs), which represent the vast majority of retail businesses and jobs, are among the most exposed to these developments. While many have yet to fully seize the emerging opportunities, many are already doing so and are well placed to do it further given their local embeddedness and operational agility. Their capacity to adapt effectively will not only shape their own competitiveness and resilience, but also the broader economic and social vitality of both urban and rural areas. This report focuses on retail SMEs in the European Union (EU), drawing lessons that may also be relevant for other OECD countries.

In the EU, the retail ecosystem plays a central economic and social role, contributing significantly to GDP and employment while serving daily over 450 million consumers. As the largest EU industrial ecosystem, it spans retailers, wholesalers and supporting services such as logistics. Retailers and wholesalers alone comprise 5 million businesses, accounting for 11.5% of total value added and employing nearly 30 million people. Most serve local markets, helping to shape the vibrancy of towns and cities of all sizes, in both urban and rural areas.

This report analyses the twin transition of retail SMEs across three interconnected dimensions: SME performance, regional and local labour markets, and the transformation of local economic and urban environments. Chapter 2 examines changes in the EU retail ecosystem, including economic performance, business dynamics, international trade and digitalisation, and introduces new evidence on firm-level digital adoption as well as a cross-country mapping of policy responses. Chapter 3 explores labour and skills challenges at national, regional and local levels, with particular attention to how the transitions are reshaping employment trends, recruitment gaps, training needs and employee profiles. Chapter 4 addresses the place-based dimension of retail, analysing how retail SMEs can harness global trends to revitalise town and city centres in ways that support local economies and quality of life, as well as how local governments can help them adapt to ongoing structural changes.

Retail SMEs under pressure

Recent trends in the EU point to changes in several areas affecting retail SMEs, as shown by indicators on economic performance, business dynamics, international trade and digitalisation. These developments reflect shifts in market structure, technology adoption and the policy landscape, which together are transforming the competitive environment and the day-to-day operations of retailers of all sizes. Despite potential benefits, recent data show that SMEs are losing ground relative to large firms, underscoring their heightened vulnerability to structural shifts.

SMEs currently account for 50% of turnover, 52% of value added and 60% of employment in EU retail. Although their output has risen steadily in absolute terms, their share in all three areas declined by

approximately 6 to 7 percentage points (p.p.) between 2012-2013 and 2022-2023. This reflects a structural trend already underway before the pandemic and is consistent with increasing market concentration. Over the past decade, SMEs have increased their sales in absolute terms, even when adjusted for post-COVID inflation. However, larger retailers appear to have captured a growing share of the sector expansion, benefiting more from recent shifts. Retail SMEs typically show lower labour productivity than large firms, with the gap remaining broadly unchanged over the last ten years. While the sector remains an entry point for entrepreneurs, business dynamism has slowed since 2011, with declining entry and exit rates and a drop in the share of high-growth firms in both retail and wholesale.

Retail SMEs have increased both their presence and performance in international trade. Between 2012 and 2022, the number of exporting and importing firms rose by 57% and 49%, respectively, while trade value grew by 126% for exports and 56% for imports. However, their share of total trade value declined – slightly for exports (−0.7 p.p.) and more sharply for imports (−8 p.p.) – as large firms captured a growing share of these expanding markets.

Digitalisation has accelerated within the retail SME sector, particularly in e-commerce. Between 2013 and 2023, e-commerce adoption has nearly doubled, from 23% to 43%, with website ownership (67%) and social media use (66%) now widespread among retailers with 10 or more employees. Adoption of more advanced tools, however, remains uneven: cloud computing and artificial intelligence (AI) usage have increased significantly, whereas Customer Relationship Management (CRM) uptake remains limited. Original analysis of 27 000 retail firms across five EU countries shows that uptake of Internet technologies beyond a basic website is generally associated with higher productivity, although adoption rates vary substantially by country, firm size and business model.

In terms of environmental sustainability, the EU retail sector has achieved notable emission cuts. Between 2008 and 2023, CO_2 emissions fell by 36% and broader GHG emissions by 43%. However, progress remains uneven across countries, and data gaps continue to limit effective monitoring by firm size.

Policymakers at both EU and national levels are responding with ambitious frameworks, major investments and targeted initiatives. A mapping of more than 100 national policies among EU Member States shows a mix of instruments to support SME digitalisation, sustainability or both. While most programmes are cross-sectoral, some include retail-specific provisions to tackle challenges particularly relevant to the sector, such as support for e-commerce adoption, targeted digital training or energy efficiency in stores. The main instruments in place include grants, loans, guarantees and advisory services.

Employment and skills: Addressing shortages and job quality

Retail is a major employer, accounting for over 11% of EU business economy jobs in 2023. In some large countries, such as France, Spain and Italy, regional retail employment rates vary from less than 15% to more than 25%. In most EU countries, the retail employment share ranges between 10% and 15% across regions. Compared to the wider economy, the sector employs a higher share of women and young people, offering accessible entry-level opportunities. However, employment growth has been minimal since 2015, and outcomes are highly place-dependent, with substantial variation across regions and cities.

Local labour markets face several pressures as the nature of retail work evolves. Front-end roles involving direct customer interaction are declining, while back-end roles requiring digital capabilities are rising. At the same time, interpersonal and customer-service skills are increasingly valued among the front-end workers, alongside in-depth product knowledge. This reflects consumer demand for personalised service and creates an opportunity for staff to advise consumers on environmentally sustainable purchases.

Persistent challenges in recruitment, retention and skills development reflect deeper issues related to job quality and career progression. Retail lags behind other sectors in the use of online recruitment tools. Structural factors, such as relatively low pay, a heavy reliance on part-time and temporary contracts, and low demand for advanced ICT skills, undermine its ability to compete for talent in the labour market. While the sector offers flexible and accessible entry points for young and less-educated workers, career progression pathways are often less structured in SME retail.

Upskilling is essential to the resilience of the sector and its workforce. Sectoral and public programmes across the EU are expanding access to training in digital and sustainability skills, while also supporting inclusiveness and workforce transitions. Continuous training, modular learning and sector-wide strategies can help improve job quality, enable career advancement and make retail work more attractive.

Urban retail: Sustaining vibrant and resilient town and city centres

Retail SMEs contribute substantially to the vibrancy of city centres and high streets. These locations are at the heart of everyday life and serve as important social infrastructure where local residents as well as tourists gather. Retail SMEs play a critical role in these locations. In addition to providing needed goods and services, they generate daily footfall, animate public space, and support nearby activities. In small town centres, independent retailers may serve as anchors of the local community.

Digitalisation is reshaping how retail SMEs contribute to city-centre vitality, altering both demand patterns and business models. The spread of e-commerce has accelerated the adoption of multi-channel approaches such as click-and-collect, while hybrid and remote work are shifting shopping patterns and redirecting demand from office districts to residential areas. The expansion of teleworking in EU cities since the COVID-19 pandemic has coincided with rising retail vacancy rates, a trend also observed in several major cities worldwide.

To remain competitive and visible, retail SMEs need support to adopt digital tools and skills that complement physical presence. While smaller retailers in towns and city centres struggle to compete with large online platforms on purely digital business models, their **physical presence provides wider benefits to local communities**. Thus, na**tional and local policymakers can assist** through targeted financial instruments to help adopt digital technologies to increase their productivity, such as digital payment systems, shared e-commerce or booking platforms and social media marketing tools, as well as advisory services and digital upskilling. Public investment in enabling infrastructure, including free city-centre Wi-Fi, 5G coverage and shared digital platforms that showcase local retailers and amenities, can help digitalisation strengthen rather than displace the role of retail in city centres.

Sustainability demands from consumers, environmental regulations and high energy costs are prompting small retailers to adopt more sustainable logistics and operations in the EU. City-centre SMEs, accessible by public and active transport, are well placed to benefit from climate-conscious shopping, green consumerism and the proximity economy. **Progress on sustainability** may involve targeted financial incentives for energy-efficient building retrofits, support for circular business models, and the promotion of more sustainable urban logistics. In some contexts, with due consideration for the impact on business activity, regulatory measures can also play a role; for instance, by integrating sustainability criteria and circular business practices into public procurement to encourage greener retail practices.

Demographic change adds further pressure on retail SMEs across the EU. Europe's share of the population aged over 65 is set to rise to 130 million by 2050. These shifts are already affecting the size of local customer bases, as well as consumer needs and preferences, making it harder for small businesses to maintain economic viability. Demographic dynamics differ markedly between large urban centres and smaller towns: while cities and larger urban areas have grown over the past decade, many small towns and rural regions have experienced stagnation or population decline.

Revitalising city centres is essential to maintaining vibrant local economies, enhancing quality of life, and creating attractive urban spaces where retail can thrive. This can involve investments in walkability, public transport, and mixed-use urban regeneration projects. Economic measures can help reduce retail vacancy – provided they account for local market constraints that may limit the ability to sell or lease premises – while temporary use policies and support for pop-up shops can encourage business experimentation. Beyond physical renewal, effective revitalisation strategies also involve actively nurturing local entrepreneurship ecosystems and social interaction. This can include neighbourhood improvement initiatives, joint storefront upgrades, shared branding and events, and support for collective action among retailers such as business improvement districts. Policymakers can also leverage cultural and social assets, for example by restoring historic buildings or hosting cultural events, to attract pedestrians, enrich the retail experience and strengthen community identity.

Effective strategies depend on structured local governance across many public and private actors and clear systems for monitoring progress. Place managers, district managers or revitalisation officers within local authorities can act as intermediaries between retailers, property owners, community groups and municipal departments, providing a one-stop-shop for business support, permits, funding and collaboration. Business-led partnerships such as business improvement districts, chambers of commerce or informal retailer coalitions can complement public action by pooling resources, supporting local entrepreneurs, organising events and investing collectively in the attractiveness and functioning of the centre. National governments can play a role by funding programmes for high streets, fostering the creation of knowledge-sharing platforms that aggregate data on retail trends, providing training to local administrations (e.g. on town centre management or monitoring and evaluation), and engaging existing local expertise and institutions (e.g. chambers of commerce, universities, research institutes, NGOs and private consultancies). Systemic monitoring and evaluation (M&E) frameworks that link retail to the wider local economy can help cities align retail development with broader economic and social goals.

1 Overview

Retail ecosystems are undergoing profound structural transformation. Global trends, including the rapid growth of e-commerce and increased environmental awareness, are disrupting traditional business models and accelerating the shift towards digital and sustainable practices. Widespread teleworking is reducing foot traffic in city centres, while cost-of-living pressures constrain consumer spending and compress businesses' margins. These dynamics are reshaping market conditions, presenting both challenges and opportunities for retailers, their employees and the local communities they serve. The ability of small and medium-sized enterprises (SMEs) to adjust will be critical for their future competitiveness and resilience, as well as for the vitality of urban and rural areas alike.

In the EU, these changes are not only reshaping firm performance and market structures, but also redefining the role of retail in the economic and social fabric of cities and towns. New business models, ranging from direct-to-consumer and subscription-based formats to e-commerce platforms and hybrid store concepts, are altering how firms operate and how consumers shop. While retail continues to offer flexible opportunities and accessible entry-level jobs, rising skill requirements – particularly in digital and sustainability-related areas – are transforming employment patterns. At the local level, these shifts are changing the character of cities through the growth of proximity commerce and more complex logistics, while also challenging the viability of retail in small towns, including those in rural areas. In this more volatile context, retail stands at the intersection of economic competitiveness, technological change, environmental responsibility and social inclusion.

Policymakers at EU, national and local levels are responding with targeted measures and resources for SMEs, with particular relevance for the retail sector. From funding digital adoption and energy efficiency to promoting skills training and urban regeneration, these initiatives aim to turn the twin transition into a driver of renewal rather than decline. However, progress remains uneven across SME retail segments, with micro-enterprises often lagging, underscoring the need for simpler, more targeted and better-coordinated support. This will be key to determining whether retail SMEs can not only survive, but also help revitalise town and city centres, strengthen social cohesion and advance the EU's competitiveness and resilience goals.

This report, structured in three chapters, analyses the twin transition of retail SMEs by examining distinct yet interrelated dimensions of the retail ecosystem's transformation and the related policy responses across multiple levels of governance. While the focus is on developments within the EU, the findings aim to inform policy discussions across OECD countries facing similar structural shifts.

- Chapter 2 examines structural changes in the EU retail ecosystem, focusing on economic performance, business dynamics, international trade, digitalisation and environmental sustainability, along with related policy responses at both EU and national levels.
- Chapter 3 explores labour and skills challenges at national, regional and local levels, highlighting employment trends, recruitment gaps, training needs and workforce diversity, with particular attention to the digital and green transitions.
- Chapter 4 addresses the transformation of urban retail, analysing how digitalisation, sustainability and demographic shifts are reshaping town and city centres, and how local authorities can help retail SMEs adapt.

The following sections present the key findings and policy messages from each chapter, emphasising the interconnected challenges and opportunities facing retail SMEs across the EU.

The twin transition of retail SMEs

Retailers and wholesalers face growing pressures from digitalisation, rising sustainability demands and shifting customer expectations. Emerging technologies such as e-commerce platforms, data analytics and artificial intelligence (AI) are reshaping operations across the value chain and accelerating the integration of physical and digital channels. While these tools offer opportunities to expand market reach and improve efficiency, the growth of e-commerce is also intensifying competition, including from cross-border and non-EU players operating via online platforms. This can be particularly problematic, as some non-EU platforms may sell goods produced and marketed without complying with EU standards and regulations. For many SMEs, limited finance, skills and managerial capacity also constrain the speed and effectiveness of their response. At the same time, their local embeddedness can support flexible, place-based adaptation to environmental challenges, although structural barriers often limit their ability to implement more capital and skill-intensive sustainability measures.

Chapter 2 provides an overview of how the competitive landscape for retail and wholesale SMEs in the EU27 has evolved over the past decade. Drawing on national-level data, it examines key trends across five domains: economic performance, business dynamics, international trade, digitalisation and environmental sustainability. The chapter then explores web technology adoption among retailers in five EU countries, using firm-level data to analyse differences by country, region, firm size, and business characteristics. Finally, it reviews policy responses at EU and national levels, identifying instruments that support retail SMEs in navigating the digital and green transitions.

Retailers and wholesalers are facing structural shifts

SMEs remain at the core of the retail and wholesale sectors across the EU, accounting for 50% of turnover, 52% of value added and 60% of employment in retail. While their output has grown in absolute terms, even when adjusted for post-COVID inflation, their share of turnover, value added, and employment declined by around 6–7 percentage points between 2012-2013 and 2022-2023. This suggests that while SMEs have benefited from recent shifts such as the rise of e-commerce to increase their sales, larger businesses have gained even more, increasing their relative share over the same period. At the same time, productivity among retail SMEs remains relatively low and stagnant, with output per worker continuing to trail behind that of larger firms. This gap has seen little change over the past decade.

SME growth in retail and wholesale has been modest in an increasingly consolidated market. The distributive trades sector remains an important entry point for entrepreneurs, accounting for about one-fifth of all new firms in the EU. However, overall business dynamism has slowed since 2011, with combined entry and exit rates declining, especially among micro-enterprises. While retail still shows higher turnover than wholesale, the share of high-growth firms has edged down in both sectors.

SMEs are trading more overall, but larger firms are capturing a growing share of international flows. Between 2012 and 2022, retail SMEs increased their exports by 126% and imports by 56%, while wholesale SMEs recorded slower growth (42% and 45%, respectively). Despite this, wholesale SMEs slightly increased their share of total export value with respect to larger firms, whereas retail SMEs' share fell as large retailers expanded faster. In both sectors, SMEs' shares of import value declined.

Between 2013 and 2023, digital adoption grew among retail and wholesale SMEs. The share of firms receiving online orders nearly doubled in retail, from 23% to 43%, and rose steadily in wholesale, from 31% to 43%. Website ownership has become widespread, at 85% in wholesale and 67% in retail. Social media use is common in retail, at 66%, but growth has stalled over the decade. Uneven progress is

observed for other digital tools: cloud computing and AI adoption have increased significantly, whereas Customer Relationship Management (CRM) uptake and ICT specialist employment have largely stagnated.

Retail has achieved sharper cuts in operational emissions than wholesale, when considering own activities. Between 2008 and 2023, greenhouse gas (GHG) emissions fell by 43% in retail, with CO_2 falling by 36%. In wholesale, GHG emissions declined by 14%, with CO_2 down by 9%. Economy-wide EU-27 emissions declined by roughly one quarter on a production basis and by about one third on a demand basis, so the retail decline appears steeper than the aggregate trend. SMEs are major contributors, but data gaps make accurate measurement challenging, underscoring the need for more robust monitoring frameworks.

Retail digitalisation is linked to higher productivity, but it is advancing unevenly across countries and firms

An original analysis of 27 000 retail firms across five pilot countries (Italy, Estonia, Hungary, Romania, and Spain) highlights uneven progress in digital adoption. About 60% of firms with 10 or more employees maintain a website, but fewer than one in four use additional tools such as e-commerce, electronic payments, multilingual pages or shipping services (e.g. integrated delivery and returns). Adoption tends to increase with firm size, and group-affiliated retailers outperform even the largest independents, reflecting the benefits of scale and shared resources. Estonia leads across most categories, while Romania and Hungary lag behind.

Social media is used by roughly half of firms with websites, especially large firms and franchises, but uptake drops sharply among small independents. Regional differences within countries are modest, though multilingual sites are more common in areas with strong minority languages, reflecting both local and cross-border demand. In contrast to patterns commonly reported in other OECD countries, rural–urban gaps in website adoption are small, except in Romania and, to a lesser degree, Spain.

Digital adoption is consistently linked with stronger performance. Firms with websites report 20–40% higher labour productivity than non-adopters, and those using additional technologies show further advantages, with productivity gains ranging from negligible in Spain to as high as 24% in Estonia. While the results indicate correlation rather than causation, they underscore a consistent association between digital adoption and stronger firm performance for SMEs competing in increasingly digital markets.

Policymakers at both EU and national levels are introducing targeted measures to support SMEs in the retail sector through the digital and green transitions

An analysis of more than 100 policy initiatives and regulations from the European Union and its 27 Member States, up to March 2025, reveals key trends in SME policy with relevance for retail, digitalisation, and sustainability. While most SME support schemes in Europe are cross-sectoral, the analysis identifies measures especially relevant to the retail sector's twin transition.

The EU's twin transition agenda – framed by the Green Deal, the 2030 Digital Compass, and the Competitiveness Compass – sets long-term goals such as climate neutrality by 2050 and widespread SME digitalisation by 2030, which have significant implications for the retail sector. Complementary frameworks and measures – including the SME Strategy, the Single Market Programme, and the SME Relief Package – aim to cut red tape, improve financing, and expand cross-border opportunities. At the same time, regulatory simplification is expected to translate into actual costs savings for businesses. For the retail sector, the Transition Pathway, launched in 2024, provides a collaborative roadmap to help businesses prepare for digital and green transformation.

Meanwhile, the regulatory landscape for retail has been evolving rapidly. Rules on the digital economy – such as the Digital Markets Act and the Digital Services Act – seek to level the playing field for SMEs, while the General Data Protection Regulation (GDPR) and the Data Act shape data practices. On the sustainability side, regulations on Ecodesign for Sustainable Products, Packaging and Packaging Waste, or the Waste Framework Directive tighten requirements on durability, recyclability, and waste. The Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD) extend sustainability obligations across supply chains.

While leveraging EU-wide digital and green programmes, national governments have been designing and implementing tailored initiatives that reflect local needs, priorities and capacities. Although most measures are cross-sectoral, some include retail-specific elements, such as incentives for e-commerce adoption, energy efficiency upgrades in shops or targeted digital training, addressing challenges unique to the sector.

Support for digitalisation and sustainability is delivered through a mix of financial and technical instruments. Grants, loans, and vouchers reduce the upfront cost of adopting e-commerce, cybersecurity, and IT systems, while mentoring, training and advisory services help smaller retailers build capability. Integrated schemes pair funding with consultancy and ecosystem support to ensure technologies are effectively embedded into business models. On the side of sustainability, loans, guarantees, and grants finance renewable energy, efficiency and circular economy projects, complemented by audits and peer-learning. A growing number of initiatives are bridging both agendas, using digital tools to advance sustainability goals such as through smart energy management and supply chain optimisation.

Despite progress, gaps in digital adoption and sustainability practices persist. Micro and independent retailers often struggle to access public support due to complex procedures, strict eligibility criteria and programme designs that overlook the specific sector needs. While digital adoption is advancing, it remains uneven, with many small firms receiving support to acquire tools, but struggling to integrate them strategically. Similarly, sustainability investments are held back by regulatory compliance challenges and uncertainty about long-term returns.

A coordinated, multi-stakeholder approach should prioritise a focused set of policy levers that translate the twin transitions into tangible gains for retail SMEs. These levers include: (i) integrated financial and advisory support that combines funding with tailored guidance; (ii) digital capability pathways that go beyond tool acquisition to full integration into store operations; (iii) SME-friendly sustainability measures, offering sector-specific guidance and practical, ready-to-implement solutions; and (iv) proportional, test-and-learn regulation, including SME-focused impact assessments. Looking ahead, policy frameworks must be simpler, more responsive and better aligned with the realities of small retailers. With active SME engagement, coordinated action – across EU, national, and local levels – can help turn the digital and green transitions into lasting improvements in competitiveness and resilience across the retail ecosystem.

Addressing labour and skills shortages in Europe's retail sector

Chapter 3 presents new data on employment and skills in the retail sector and related policies and programmes. It covers the new demands of the digital and green transitions, but also implications of inclusion and diversity in the sector.

Retail is a key employer providing diverse entry-level jobs, but faces slow growth and skill gaps

Retail is a major employer across Europe, accounting for over 11% of business-economy jobs in 2023, with a strong role for SMEs. Yet, retail employment has seen minimal growth since 2015, in

contrast to steady gains in most other sectors, leading to a decline in retail's share of total jobs. Regional disparities within large countries further underscore the sector's uneven footprint, reflecting local differences.

Jobs in the retail sector are evolving, with a growing demand for "back-end" roles requiring digital competences. Although the scale of change varies across countries, front-end roles are becoming less dominant in Europe, while digital-oriented back-end occupations are on the rise. This decline in customer-facing roles reflects the shift towards e-commerce. At the same time, interpersonal skills related to customer support and assistance have become even more important among front-end workers between 2019–2020 and 2022–2023, reinforcing their already high importance compared to other occupations across the broader business economy.

The retail sector lags in adopting digital technologies for hiring, as reflected in the low uptake of digital recruitment tools and weaker demand for advanced ICT skills among retail back-end jobs. Retail companies make less use of online recruitment tools than other industries, which limits their ability to access a broader talent pool. Across Europe, the share of online job postings relative to survey-based vacancy numbers is lower in retail than in the wider business economy, with gaps exceeding 50% in half of the countries. In addition, data from online job postings show that the sector has a lower demand for advanced ICT skills, including among back-end workers, compared to all occupations in the broader business economy. While this gap narrowed in some countries between 2019-2020 and 2022-2023, it widened in others.

Retail employs a diverse workforce, with a higher share of women employees and youth and a similar share of people with a migrant background compared with the wider business economy. Women account for 52% of employees, compared with 38% in the overall business economy. Young workers (aged 15-29) make up 23% of retail jobs in Europe, four percentage points more than in the broader economy. Foreign-born workers, though slightly underrepresented in retail (13%, compared to 15% in other sectors), still form a notable share of the workforce.

The nature of contracts in retail differs from other sectors, with a greater use of flexible employment arrangements. This reflects operational needs linked to extended opening hours, shift-based work, fluctuating demand, and the need to maintain coverage while respecting working-time rules. Part-time work is more prevalent in retail, accounting for 37% of jobs – 14 percentage points higher than the broader economy – with involuntary part-time accounting for only a small share of these positions. Temporary contracts are also widespread, with more than half of retail jobs classified as temporary, a higher share than in other sectors. Additionally, contracts lasting less than one year are more common in retail in half of European countries, reinforcing the perception of the sector as providing flexible employment opportunities, but also the risks of placing workers in unstable working conditions.

Retail jobs also tend to require lower educational qualifications compared to other sectors. Advanced degrees are less in demand, with the sector instead favouring primary, secondary, and short-cycle tertiary education. This lower educational threshold can provide an accessible path for many workers without formal degrees, as well as early school leavers to start working. Combined with the high share of young workers in the sector, this suggests that retail offers valuable opportunities for first-time job seekers and flexible employment options for those still pursuing their studies.

Retail is adapting its diverse workforce to digital, green and consumer shifts

The retail sector in Europe offers a wide range of employment opportunities, from entry-level positions to senior management roles. The nature and breadth of roles differ by firm size: SMEs often rely on multi-tasking roles within flatter organisational structures, while larger firms offer more specialised positions and more formalised career pathways. Retail also provides accessible jobs for younger workers, including those with lower educational attainment, facilitating school-to-work transitions as well as mobility

for workers coming from other industries. Upskilling and training are therefore important to equip all types of workers with the skills required to function productively as tasks evolve.

The digital transition is reshaping consumer shopping habits and the skills required from retail workers. For instance, as consumers increasingly make online purchases, many traditional retailers have also moved online. This shift may also have implications for working-time arrangements, as retailers seek to align staffing and service provision with evolving consumption patterns. While training programmes across the EU have adapted to meet the growing demand for digital and e-commerce skills, in-person retail can offer services not available online, such as a consumer experience and curated product advice. The increasing demand for social skills in job vacancies suggest that many customers still value in-person and personalised treatment.

At the same time, the retail sector can guide customers towards more sustainable options. While environmental and broader sustainability regulations are reshaping production processes, retail can also contribute by raising consumer awareness and promoting responsible consumption. To fulfil this role, retail workers must possess in-depth knowledge of the products they sell, including how they are produced. Skills training programmes can incorporate sustainability-related competencies – from understanding supply chains to addressing ethical considerations within specific retail subsectors.

Retail needs flexible skills programmes tailored to different subsectors and locations. Across Europe, modular initiatives cover many aspects of retail work. Publicly supported, sector-wide schemes aim to improve access for workers and firms of different sizes. Trainings offered on a continuous basis to support long-term retail staff can help them acquire new skills and expertise. Persistent challenges include student retention and low completion rates.

Digital tools play a key role in hiring, with online job portals improving job matching, particularly in high-turnover sectors such as retail. However, smaller retailers often rely on local networks rather than formal online platforms to find workers. Job portals can also offer valuable insights into skill demand and the sector's competitiveness. At a broader level, labour market monitoring systems can help identify skills shortages and inform targeted workforce development strategies.

The attractiveness of retail jobs to current and prospective employees is constrained by widespread part-time or temporary contracts, limited career progression and perceptions of low-skill, demanding work. Emerging safety concerns in front-line roles with frequent customer interaction add to these pressures. Together, these factors weaken returns on skills investment, raise turnover and limit recognition of specialised knowledge.

A coordinated response from employers, social partners and public authorities can improve job quality and make retail work more attractive. As a sector that serves the entire population, with a workforce that reflects this diversity, retail benefits when recruitment, employment and training are tailored to varied individual needs to strengthen inclusion. Priorities include expanding access to diverse skills training to support career progression, addressing workplace safety risks, and drawing on sector-wide strategies to improve job security and contract conditions. Recent initiatives, including Germany’s 2024 retail agreement and France’s 2021 agri-food and retail framework, illustrate these sector-wide approaches. Addressing these challenges is a shared responsibility at local and national levels, with skills development playing a central role.

Harnessing the twin transition to revitalise retail SMEs in town and city centres

The digital transition is reshaping urban retail. The expansion of e-commerce since the 2000s, accelerated by the COVID-19 pandemic, has accelerated the adoption of multi-channel models such as click-and-collect, deepening the integration of online and physical retail. In parallel, hybrid and remote work have also changed shopping patterns, increasing weekday activity in residential neighbourhoods while

reducing footfall in city centres. Since the pandemic, teleworking became significantly more common in cities across the EU and elsewhere, while retail vacancy increased in several large urban areas.

Environmental concerns are shaping some consumers' preferences. According to the European Commission's 2025 Consumer Conditions Survey, in 2024, 43% of European consumers said they considered environmental concerns in their purchasing decisions and more than a third of them (35%) chose to repair a broken product rather than replacing. If those preferences do not always translate into purchasing habits, they still are, combined with regulatory pressure and high energy costs, pushing urban retailers to green their operations. For retail SMEs in city centres, these shifts bring both challenges and opportunities: delivery and logistics systems must adapt, but proximity-based retail can benefit from sustainable shopping trends and local consumer engagement.

Demographic change further amplifies these pressures. Europe's population aged 65 or over is expected to rise from 91 million in 2019 to 130 million by 2050, reshaping demand for retail goods and services. Meanwhile, smaller cities and rural areas face population decline, with OECD projections pointing to a 2.3% drop in regions far from metropolitan centres by 2040. This trend poses challenges for local SMEs, particularly in retail, which often rely on a stable local customer base. However, population ageing may offer growth opportunities if retail SMEs adapt their products and services to meet the evolving needs of older adults. By doing so, they can remain viable despite demographic shifts.

Chapter 4 explores how national and local governments help retail SMEs in cities adapt to these changes. It showcases strategies to strengthen skills, foster sustainable practices, and align retail with technology and green goals.

Cities can support retail SMEs by encouraging digitalisation, sustainability practices and vibrant public spaces

To help SMEs adapt to the digital transition, national and local governments are supporting retail digitalisation. Integrating the strengths of physical retail with the reach of e-commerce can enable SMEs to expand their customer base and operate more efficiently. In-store technologies can further boost customer engagement and store performance. Digital platforms managed by local governments can enhance the visibility of local retailers and showcase city amenities, while targeted training can address persistent digital skills gaps. Reliable and affordable high-speed internet and advanced connectivity remain essential foundations for these efforts.

Energy efficiency is also becoming a priority in retail. Many retail establishments operate in ageing infrastructure with inefficient electric and heating systems while rising energy costs have also heavily affected the sector. Greenhouse gas emissions from energy use in buildings account for 34% of energy-related emissions in the EU, underscoring the urgency of retrofit programmes and sustainability investments. Policy responses can combine immediate relief, such as targeted financial support, with long-term investments like retrofit programmes to lower emissions and costs. Some degree of flexibility in planning agreements – including in historic town centres – together with dialogue between local authorities and property owners, is also necessary to enable implementation of energy retrofit programmes. Supporting circular business models can help small retailers innovate and differentiate themselves. Policymakers can accelerate this shift through procurement rules, grants, preferential loans and demand-side incentives such as reduced VAT for specific sustainable products. Local authorities can also strengthen urban logistics by promoting low-emission solutions, including logistics hubs and designated delivery zones.

Beyond directly supporting individual firms, urban policies can support the vitality of city centres which in turn help retail SMEs better navigate the twin transition. Walkability and access to efficient, affordable public transport increase footfall and strengthen retail performance. However, such improvements can also contribute to gentrification and the displacement of shops serving lower-income or

marginalised communities. Urban regeneration and mixed-use planning offer ways to mitigate these risks while revitalising local economies. These approaches help reduce vacancy rates, enhance the urban image and improve competitiveness against online retail. Investments in public spaces, as well as green, social and cultural assets, attract more visitors, improve shopping experiences and benefit retail SMEs. For example, green spaces enhance urban liveability while drawing more customers to nearby shops.

Diversity, cultural activities and authenticity further support retail vitality. Local governments can support this by promoting distinctive retail experiences, local heritage and cultural engagement. Events, festivals and cultural programming can increase visits and enhance the city's image, while large events generate additional foot traffic and provide exposure for local shops. Retail performance depends on integrating commerce with culture and community participation.

Governance and monitoring shape how retail supports urban vitality

Effective urban governance is needed to make retail strategies work, aligning planning, transport, logistics and economic development. City centres bring together diverse stakeholders and functions (including work, leisure, culture, education, retail, health and public services), which makes coordination essential.

Governance approaches across the EU vary. Public sector-led models, such as place managers or district management teams, provide structured coordination, linking departments, businesses, and communities while supporting local businesses and accessing national funding. Private sector-led models, such as Business Improvement Districts (BIDs) that require enabling legal frameworks, allow businesses to invest collectively in public space, marketing, safety and infrastructure through levies. Investments and improvements, whether public- or private-led, can raise property values and rents, which may displace smaller retailers unless safeguards are in place. The most successful approaches typically rely on public-private-people partnerships, which pool resources, expand expertise and build community support.

Monitoring and evaluation (M&E) are equally essential to assess retail's contribution to urban vitality and promote continuous improvement. While many cities collect business data, few monitor outcomes for people and places, limiting the ability to assess retail's contribution to urban attractiveness and cohesion. Developing robust M&E frameworks is often hindered by limited financial, human and technical resources, and by fragmented systems and data gaps, particularly for small and micro retailers. Granular, geographically detailed, and sector-specific data are needed to capture trends in retail vitality. Citizen-centred approaches, public input, and disaggregated demand data help align retail with community needs, while integrating tourism and mobility data provides a fuller picture of retail dynamics.

National governments can support local authorities in overcoming these challenges by funding knowledge-sharing platforms, providing training for administrators, and fostering vertical collaboration. Engaging existing local knowledge and institutions (e.g. chambers of commerce, universities, research institutes, NGOs or private consultancies) can enhance data collection and public transparency. Finally, adopting systemic M&E frameworks that link retail to the wider local economy, by integrating data on mobility, logistics, culture and identity, can allow cities to better understand the drivers of urban vibrancy and sustainability.

2 The twin transition of retail SMEs

Retail and wholesale SMEs in the EU are undergoing significant structural changes, driven by the twin digital and green transitions and rising competition from large firms and non-EU online platforms. Although SMEs remain a key pillar of the retail sector, and their production has risen in absolute terms over the last decade, their share of turnover, value added and employment relative to larger firms has declined over the past decade, reflecting growing market concentration. Digital adoption has expanded and correlates with stronger firm performance, but progress remains uneven across countries and firm sizes. Environmental performance has also improved, yet persistent data and measurement gaps continue to limit the ability to track SME-specific progress. EU and national policies are increasingly mobilising support for the twin transition, including though major funding instruments. However, complex access conditions, limited internal capacities and integration challenges still constrain many smaller firms.

Introduction

The first section of this chapter provides an overview of the retail ecosystem in the EU, focusing on key changes in the competitive landscape for retail and wholesale SMEs over the last decade. The analysis draws on quantitative indicators to highlight market trends, challenges and opportunities across five domains: economic performance, business dynamics, international trade, digitalisation and environmental sustainability. For each of these, the most significant shifts observed over the 2012-2013 to 2022-2023 period, a decade marked by substantial transformation for retailers and wholesalers worldwide, are presented and discussed.

The retail ecosystem is a cornerstone of the EU economy, contributing significantly to GDP and serving over 450 million consumers daily (European Commission, 2024[1]). As the largest industrial ecosystem in the EU, it encompasses a broad range of actors, including retailers, wholesalers and supporting services such as logistics. Retailers and wholesalers alone comprise nearly 5 million businesses and generate 11.5% of total value added, serving local markets and shaping the vibrancy of towns and cities of all sizes. Retail and wholesale SMEs alone account for nearly one-fourth of all SMEs within the non-financial business sector. They tend to operate on high volume but low margins, with the lowest gross operating profit rate among major sectors (Eurostat, 2025[2]).

The retail ecosystem is also the EU's largest private-sector employer, providing jobs to nearly 30 million people across all regions and offering roles at every skill level (European Commission, 2024[1])**.** As a key entry point into the labour market, the sector provides accessible employment opportunities for women, young people, migrants, people re-entering employment and other underrepresented groups, making it central to inclusive economic participation (see Chapter 3).

Beyond its economic and employment contributions, the retail ecosystem also shapes urban infrastructure and spatial development. Shops, warehouses, and distribution centres tend to cluster around commercial hubs, influencing city layouts and placing demands on transport networks. Wholesale and retail depend heavily on road, rail, maritime and air transport, as well as on reliable logistics and storage infrastructure for timely delivery and inventory management. The rise of e-commerce has intensified these demands, increasing the need for last-mile delivery centres and proximity logistics hubs (ITF, 2022[3]; ITF, 2024[4]).

At the same time, e-commerce is driving innovation in logistics systems, such as electric delivery fleets, parcel lockers and route optimisation technologies, which offer potential efficiency and environmental benefits when well implemented (ITF, 2024[5])**.** However, shifting consumer patterns have also contributed to declining foot traffic in traditional commercial districts, rising vacancy rates and growing pressure on urban mobility systems (ITF, 2022[3]; ITF, 2024[4]). As cities adapt to changing consumer behaviours and distribution models, managing these trade-offs will be key (see Chapter 4).

The retail ecosystem also acts as a key link between producers and consumers, shaping supply and demand across industries. Retail and wholesale are deeply interconnected with other sectors, such as manufacturing, food processing and agriculture, and with cross-sectoral economic activities, like tourism and services (European Commission, 2024[6]). More than just an intermediary, the ecosystem manages vast human, material, and natural resources, influencing how they are distributed and used across supply chains. As a result, its digital and green transitions have far-reaching implications, not only for wholesalers and retailers themselves but also for an extensive and diverse supplier base (Ytterhus, Arnestad and Lothe, 1999[7]; Jones et al., 2005[8])

Retailers are uniquely positioned as intermediaries of consumer markets, which enables them to understand consumer preferences and shape purchasing behaviour. Their strategic and operational decisions, ranging from product offerings and pricing models to distribution methods, influence not only immediate buying choices but also production patterns, broader consumption trends, and societal values.

For instance, by adopting business models centred on rental, repair, and resale, retailers can accelerate the shift towards circularity and foster a more responsible consumer culture (OECD, 2025[9]).

These dynamics unfold within a highly diverse sector, encompassing businesses of all sizes, from self-employed shop owners to multinational corporations. This heterogeneity extends to business models and distribution channels, with retailers engaging customers through brick-and-mortar stores, e-commerce websites, third-party marketplaces, and integrated omnichannel experiences. The sector is also segmented by product focus, broadly divided into grocery and non-grocery retail. Within these categories, further differentiation occurs by store format (e.g. supermarkets, discounters, pop-up shops) and product specialisation (e.g. apparel, electronics, health and beauty, furniture and home goods). This highlights retail's adaptability in meeting diverse consumer needs and preferences.

Despite the sector's diversity, all retailers are navigating a period of rapid and profound transformations, driven by shifting demographics, evolving consumer behaviour, emerging digital technologies, and a growing demand for sustainability. One of the most significant shifts has been the accelerated evolution of omnichannel retail, where digital and physical shopping experiences are increasingly intertwined (Ailawadi and Farris, 2017[10]; Evanschitzky et al., 2020[11]; OECD, 2023[12]). The COVID-19 pandemic not only sped up the adoption of digital tools, but also introduced new consumer expectations, including faster delivery options and flexible fulfilment models (Verhoef, Noordhoff and Sloot, 2023[13]; Ratchford et al., 2023[14]). While these changes have enabled some retailers to expand their reach, it has also widened the gap between businesses that can invest in digitalisation and those struggling to keep pace, putting pressure on physical stores to innovate and adapt to the new landscape (Breugelmans et al., 2023[15]; Szocs et al., 2023[16]; Alexander and Blazquez Cano, 2020[17]).

This section takes a high-level perspective on the retail and wholesale sectors across the EU-27 Member States, focusing on data at the national level to assess their evolving composition and economic role.[1] The analysis draws on international and publicly available databases, primarily from Eurostat and the OECD. Together, these data sources enable the longitudinal analysis of sectoral trends while also allowing cross-country comparisons.

Structural profile of retail and wholesale

The distributive trade sector – comprising retail, wholesale, and motor vehicle trade (NACE Rev. 2 Section G divisions 45-47) – is a core component of the European economy, both in terms of business numbers and economic weight. In 2022, it comprised approximately six million enterprises, accounting for about one-fifth of the EU business economy and representing the largest enterprise population among all NACE sections (Eurostat, 2025[2]). It also employed nearly 30 million people, more than any other sector. The sector generated over EUR 11 trillion in net turnover and around EUR 1.6 trillion in value added, making it the largest by turnover and second only to manufacturing in value added (Eurostat, 2025[2]). The significant gap between turnover and value added reflects the high pass-through of purchased goods, indicating low margins.

Most firms in both retail and wholesale are micro-enterprises, employing fewer than 10 people, although the two sectors differ slightly in their size distribution. In 2023, micro-enterprises accounted for approximately 95% of retail firms and 91% of wholesale firms. Small enterprises represented 5% of retail and 8% of wholesale firms, while medium-sized businesses made up less than 1% in both sectors. Large companies (those with 250 or more employees) are extremely rare, comprising only 0.1% of retail and 0.2% of wholesale enterprises. In short, both sectors are marked by a long tail of micro-enterprises and a very short head of large players.

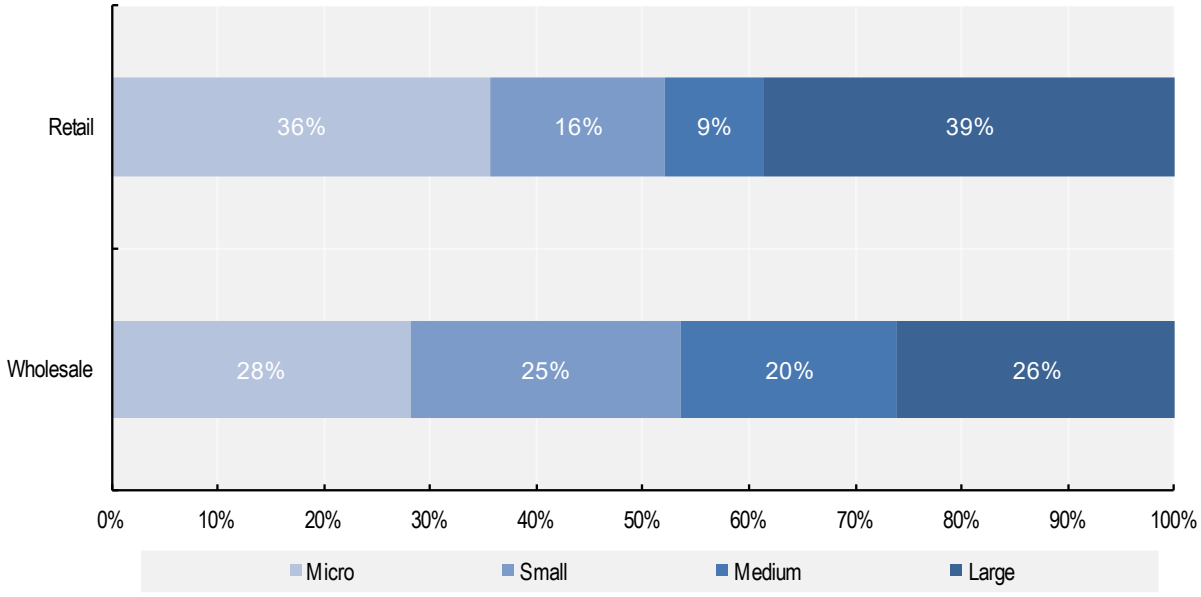
Despite their small numbers, large firms in retail and wholesale contribute a disproportionate share of sales, value added and employment. By contrast, micro and small enterprises account for only a

modest share in these metrics. This pattern is common across EU industries, but it is particularly pronounced in distributive trades, where numerous family-run shops, independent dealers and small traders coexist with a few large retail chains and wholesale distributors.

Employment is distributed very differently across firm sizes in both industries, with retail showing stronger polarisation and wholesale a more even spread (see Figure 2.1**).** Based on 2023 data, the retail workforce is concentrated at the extremes: more than one-third of jobs are in micro-enterprises (35.7%) and almost two fifths in large companies (38.7%), leaving only a quarter spread across small and medium-sized firms. Wholesale, by contrast, shows a more balanced profile: micro-enterprises and large firms employ just over a quarter of workers (28.1% and 26.1%, respectively), while nearly half are in small and medium firms combined (45.9%). These patterns suggest that wholesale firms more often expand incrementally into small or medium size without necessarily transitioning into large enterprises.

Figure 2.1. In retail, micro and large firms account for a bigger share of jobs than in wholesale

Employment distribution by firm size in EU retail and wholesale (%), 2023



Note: The EU figure is calculated by aggregating employment across countries within each firm size class, not by averaging country-level percentages.
Source: OECD Structural Business Statistics

Labour market differences are also evident in personnel costs. In 2019, the average cost per employee was EUR 42 000 in wholesale, compared with EUR 24 000 in retail (Eurostat, 2025[18]). This reflects higher wages and productivity in wholesale, where larger firms and business-to-business (B2B) operations are more common. Retail's lower average stems from its labour-intensive nature and the prevalence of part-time, low-wage employment. These wage differences are mirrored in aggregate productivity levels. In 2019, wholesale accounted for 32.6% in the distributive trades sector and generated 49.7% of value added, compared with 55.3% and 38.1% respectively for retail (Eurostat, 2025[18]).

Retail and wholesale are closely linked to other sectors, such as transportation and storage, manufacturing and agriculture. However, in official classifications, these activities fall under different categories. For instance, transport and storage activities are classified under NACE section H, which include land transport, warehousing, and postal or courier services, all of which are critical for the physical

flow of goods. Manufacturing (section C) supplies most consumer goods distributed through retailers and wholesalers, while agriculture (section A) contributes significantly to food retail and wholesale. As a result, a large share of the value chain underpinning distributive trades is statistically recorded outside divisions G46 and G47.[2]

The analysis in this chapter focuses on retail trade (G47) and wholesale trade (G46), which are isolated from motor vehicle trade (G45) and other interconnected industries to ensure analytical consistency and comparability. Division G45 is more capital intensive, heavily regulated, cyclically sensitive and vertically integrated, and vehicle dealers frequently bundle goods and services within a single business unit (e.g. sales, financing, after-sales support, repairs), blurring the line between trade, services, and even financial intermediation. These characteristics distort firm-level indicators, which is why these divisions are separated in structural statistics. Furthermore, including motor vehicle trade in the same analytical frame would risk conflating distinct policy priorities as its technological and environmental transition pathways differ substantively. G45 faces unique challenges like shifting mobility preferences, EV servicing infrastructure, and end-of-life vehicle regulation.

Economic performance

This section presents an overview of the economic performance of the wholesale and retail sectors, with a particular focus on the evolution of contribution of SMEs to turnover, value-added, employment, and labour productivity. To provide broader economic context, the analysis begins by examining overall production trends in these industries, without distinguishing between SMEs and large enterprises, before zooming in on the specific contributions of smaller firms.

The analysis draws on data sourced from Eurostat's annual detailed enterprise statistics, which ensures international comparability over time. These statistics are broken down by size class (based on the number of persons employed) and economic activity. This level of granularity allows for a detailed examination of SME contributions within both the wholesale and retail sectors.

Box 2.1. Indicators on economic performance: Key takeaways

- Over the last 10 years, a clear overarching trend has been **the growth of production** (measured by trade margins, i.e. the difference between sales revenues and the costs of goods purchased for resale) in the retail and wholesale sector. However, this growth has not been steady, as the COVID-19 pandemic caused a temporary contraction in 2020, followed by a strong rebound in 2021 and 2022.
- **SMEs continue to account for most turnover, value-added, and employment** in both retail and wholesale, and their **production in absolute terms has increased** over the last decade. However, their share in these key indicators has been declining across EU countries over the same period, pointing at a stronger ability by larger firms to capitalise on recent shifts, including e-commerce.
- **SMEs' share of turnover** declined sharply in nearly all EU countries between 2013 and 2023, dropping from 81% to 73% in wholesale and from 57% to 50% in retail.
- Over the past decade, **SMEs' share of value added** fell from 82% to 76% in wholesale and from 59% to 52% in retail.
- **SMEs' share of employment** remains relatively high, at approximately 60% in retail and 80% in wholesale, despite a decline of more than 6 percentage points in both sectors over the past decade.

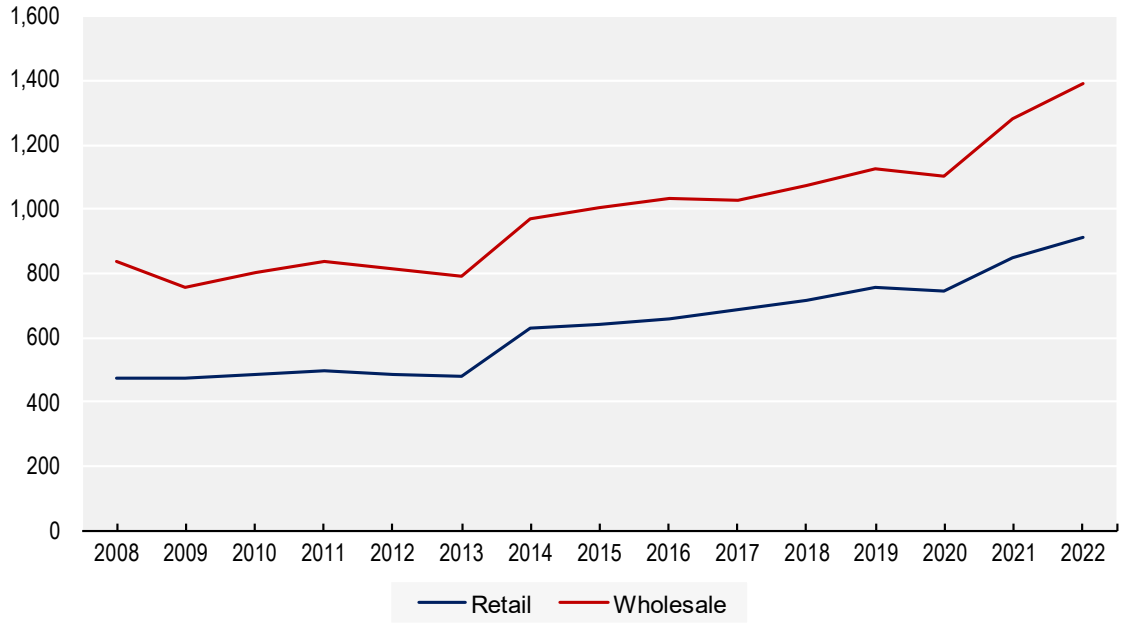
- In terms of **labour productivity**, SMEs expectedly lag behind larger firms. Between 2012 and 2022, the productivity gap decreased in wholesale, as the EU-wide ratio of SME labour productivity to large firms rose from 0.73 to 0.83, whereas the ratio in retail went from 0.70 to 0.71.
- While SMEs remain vital for economic activity and employment in the EU, they face increasing competitive pressures from large companies. Economic shocks further highlighted vulnerabilities and prompted shifts towards e-commerce. Beyond these general trends, the disparities observed across the EU underscore that country-specific conditions can significantly influence the economic performance of retail SMEs.

Production

Over the past decade, wholesale and retail production – measured by the value of trade margins, i.e. the difference between sales and the costs of goods sold – has steadily expanded across most EU countries, typically growing a few percent per year in line with consumer spending. This trend persisted from 2014 to 2019 before disruption in 2020, when, during the COVID-19 pandemic, lockdowns and economic uncertainty caused retail activity to contract. A strong rebound followed in 2021 and 2022, but part of this growth reflects inflation and currency fluctuations rather than real output expansion. Notably, the recovery in the wholesale sector appears steeper than in retail, possibly reflecting faster normalisation of business-to-business (B2B) transactions. Still, after a relative flat growth from 2008 to 2013, over the last decade production has risen rather strongly in absolute terms for both SMEs and large firms in the value chain.

Figure 2.2. Wholesale and retail production follow broadly parallel growth trends

Wholesale and retail production (EUR billion) in selected EU countries, 2008-2022



Note: Only 16 countries for which there is consistent data across the whole period of analysis are considered (AUT, BEL, EST, FIN, FRA, DEU, GRC, IRL, ITA, LVA, LTU, LUX, NLD, PRT, SVK, SVN, ESP, CYP).
Source: OECD Structural Business Statistics

SMEs' share of turnover

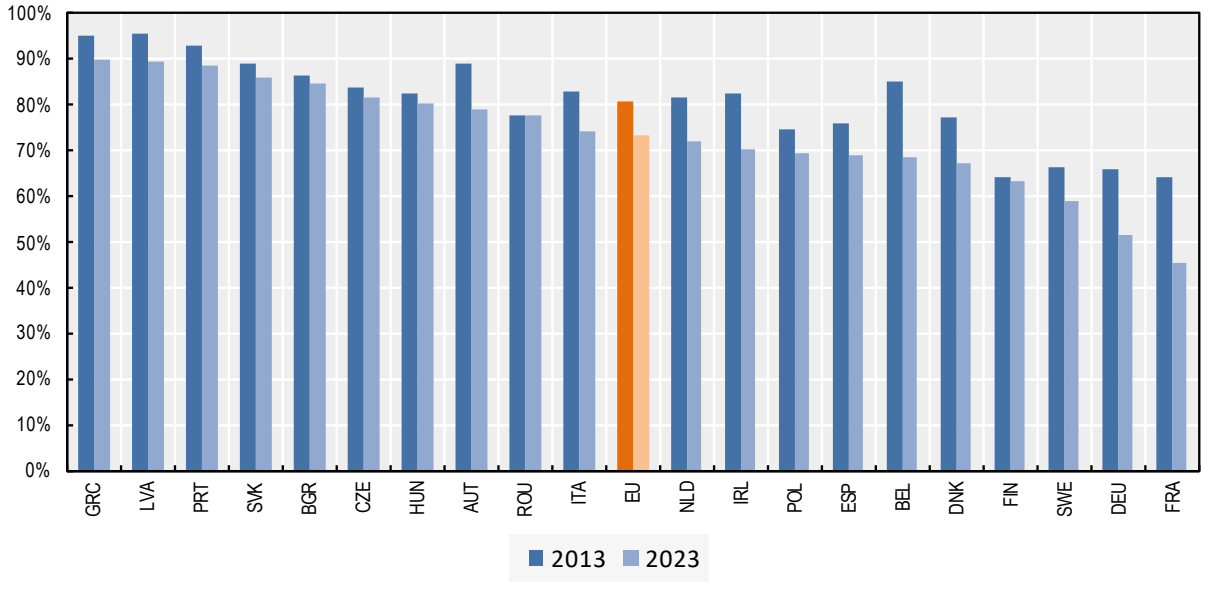
In most EU Members States, SMEs' share of total turnover hovers around 70% in wholesale and between 50% and 60% in retail. Some countries report more moderate wholesale SME shares, reflecting stronger competition from large multinational wholesalers, but the figure can reach above 85% in certain economies. Retail typically has lower SME turnover shares, as large chains tend to hold significant positions in end-consumer sales.

Between 2013 and 2023, wholesale SMEs' turnover share fell from 81% to 73%, while retail SMEs' share declined from 57% to 50%. In wholesale, Belgium and France experienced the steepest decline, while Greece and Romania recorded the largest drops in retail. However, a few exceptions exist: Ireland and Slovenia posted slight increases in retail SME turnover share.

Overall, it appears that large multinational and domestic wholesale and retail chains are capturing a growing market share in Europe, often at the expense of smaller, independent merchants. This is evident in grocery retail, where supermarket chains and discounters have expanded, and in online retail, where big platforms typically dominate the space. Yet the picture varies by country and segment, and national policies can influence these trends.

Figure 2.3. Wholesale SMEs' share of turnover has declined in every EU country

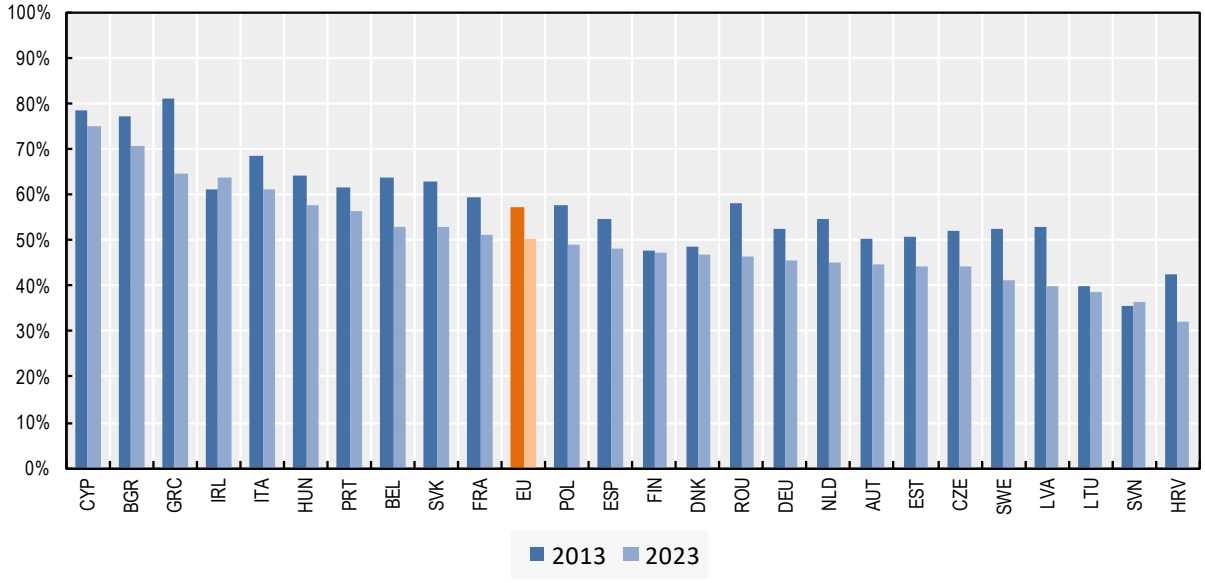
Wholesale SMEs' share of total turnover (%), 2013 and 2023



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Figure 2.4. The relative decline of SMEs' turnover share has been more pronounced in retail

Retail SMEs' share of total turnover (%), 2013 and 2023



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

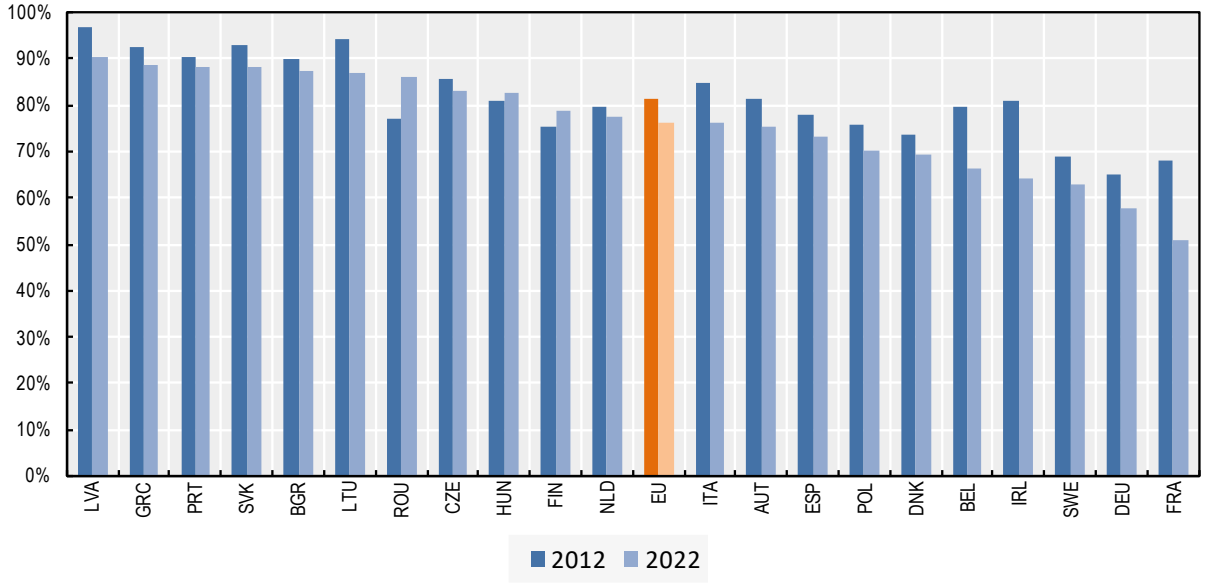
SMEs' share of value added

In most European countries, SMEs contribute around 70-90% of value added in wholesale and 45-60% in retail, in line with what is observed for turnover shares. Similarly, over the last decade, SMEs' share of value added has been declining across both wholesale and retail, with larger firms capturing a greater share of economic output.

Between 2012 and 2022, SME value-added share fell from 82% to 76% in wholesale, and from 59% to 52% in retail. In wholesale, France, Ireland, and Belgium experienced the steepest drops, while Romania, Hungary, and Finland were the only countries to record increases. In retail, the Slovak Republic and Bulgaria experienced the largest decreases, while Ireland was the only country to show growth – though the gain was relatively small.

Figure 2.5. A widespread decline is observed in the share of value-added generated by wholesale SMEs

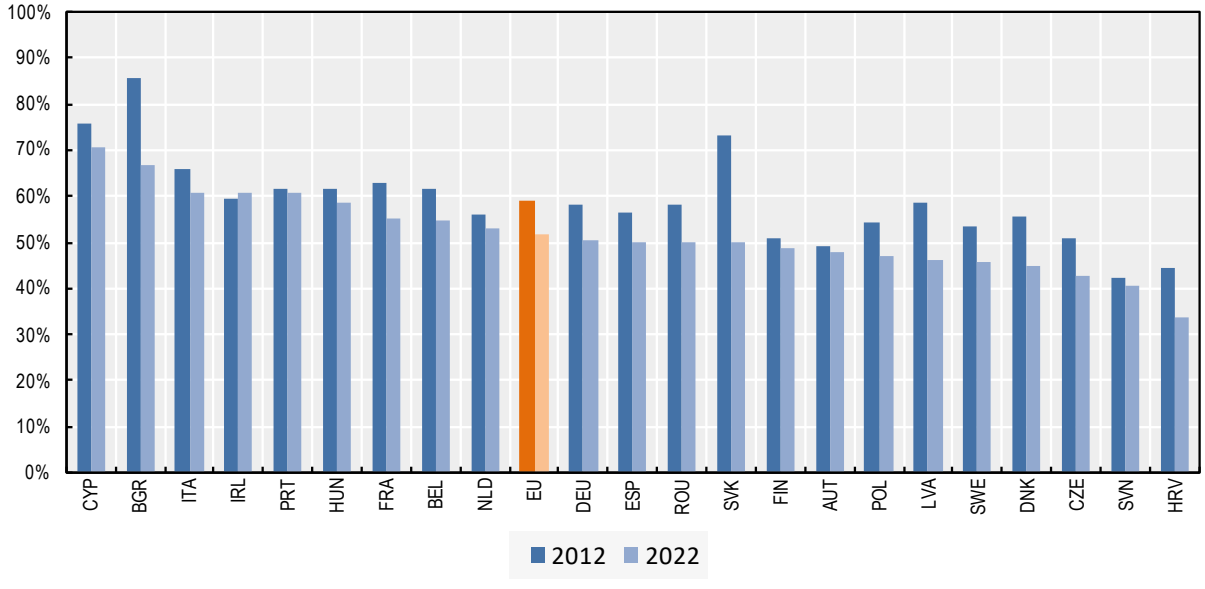
Wholesale SMEs' share of total value added (%), 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Figure 2.6. Retail SMEs' contribution to value added has shrunk substantially

Retail SMEs' share of total value added (%), 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

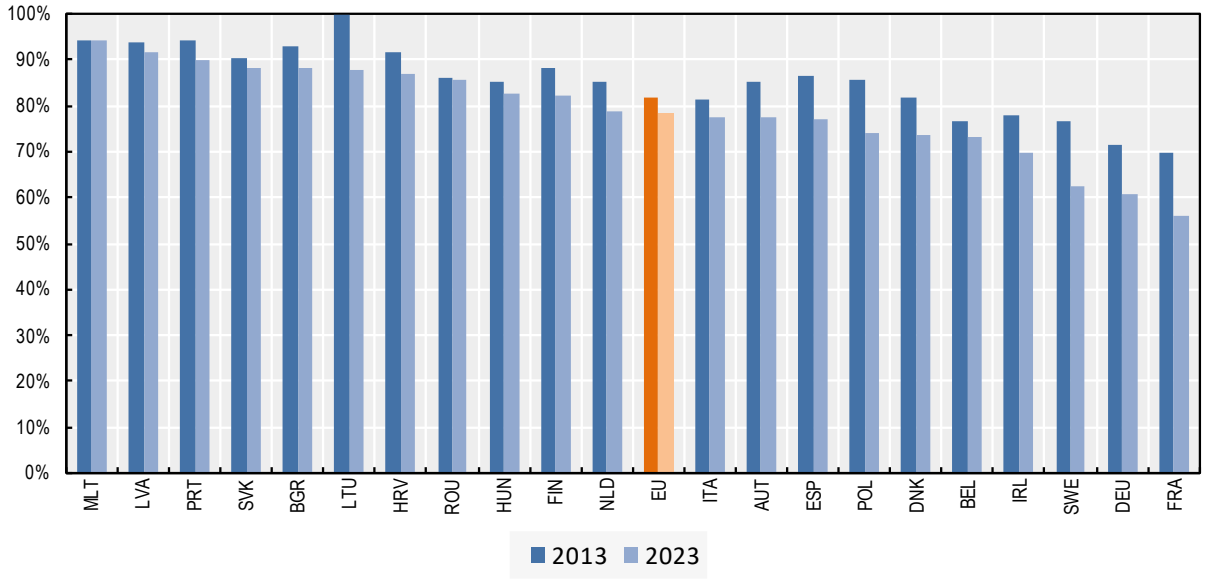
SMEs' share of employment

On the workforce side, retail's employment structures are rapidly evolving, but SMEs continue to account for most jobs in both retail (~60%) and wholesale (~80%), reflecting their critical role in local economies. When considering their broader network of suppliers and commercial partners, the impact of SME employment extends even further. While large retailers have been implementing process innovations (e.g. self-checkouts) that can limit job growth, smaller retailers remain labour-intensive. As reported by the academic literature, a slight decline in employment has been occurring in small traditional retail stores, especially in rural areas or inner cities with footfall declines (Lafontaine and Sivadasan, 2022[19]). This contrasts with employment growth in areas like logistics, delivery, and digital marketing. Remarkably, new skill sets are in demand, including within SMEs (Pissareva et al., 2025[20]). For instance, digital and e-commerce capabilities (such as managing web shops), sustainability knowledge to guide customer choices, and interpersonal skills to enhance the customer experience are all growing in importance.

Over the past decade, SMEs' employment share has significantly declined in both sectors, with retail experiencing a greater relative loss. Between 2013 and 2023, the SME employment share fell from 85% to 79%. In retail, the share decreased from 67% to 60%. However, the decline in the share of SME employment has not been uniform, with some countries experiencing significantly sharper contractions than others. In wholesale, Sweden and France registered the largest drops, while Latvia and Croatia experienced the sharpest declines in retail. These trends highlight a continued concentration of employment in larger firms and mounting economic pressures on small retailers.

Figure 2.7. Wholesale SMEs' employment share slightly declined

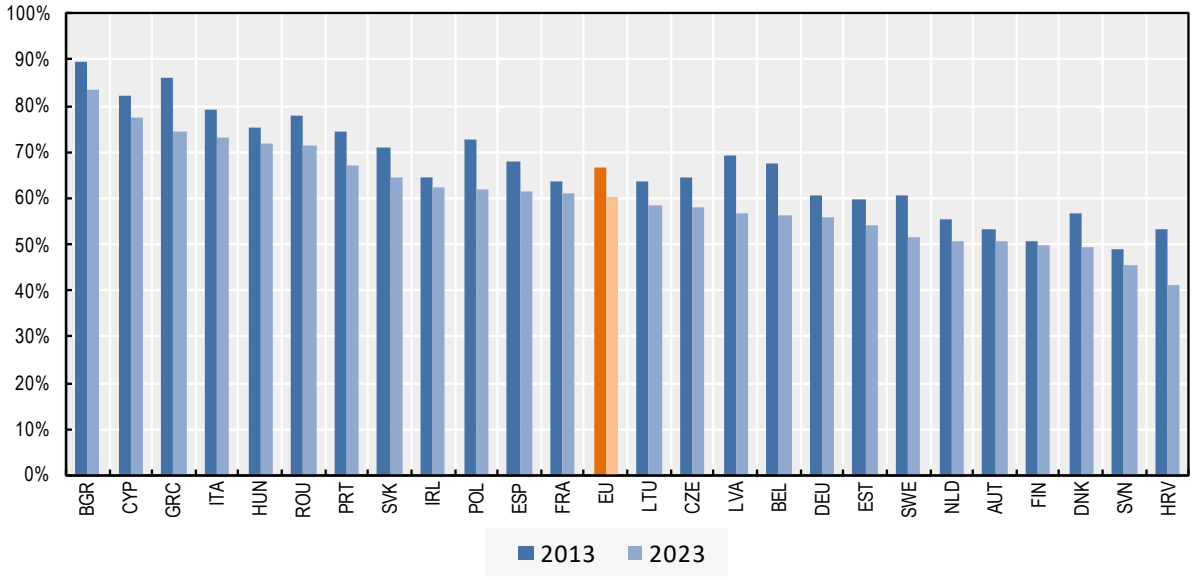
Wholesale SMEs' share of total employment (%), 2013 and 2023



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Figure 2.8. The employment share of retail SMEs significantly decreased

Retail SMEs' share of total employment (%), 2013 and 2023



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Labour productivity

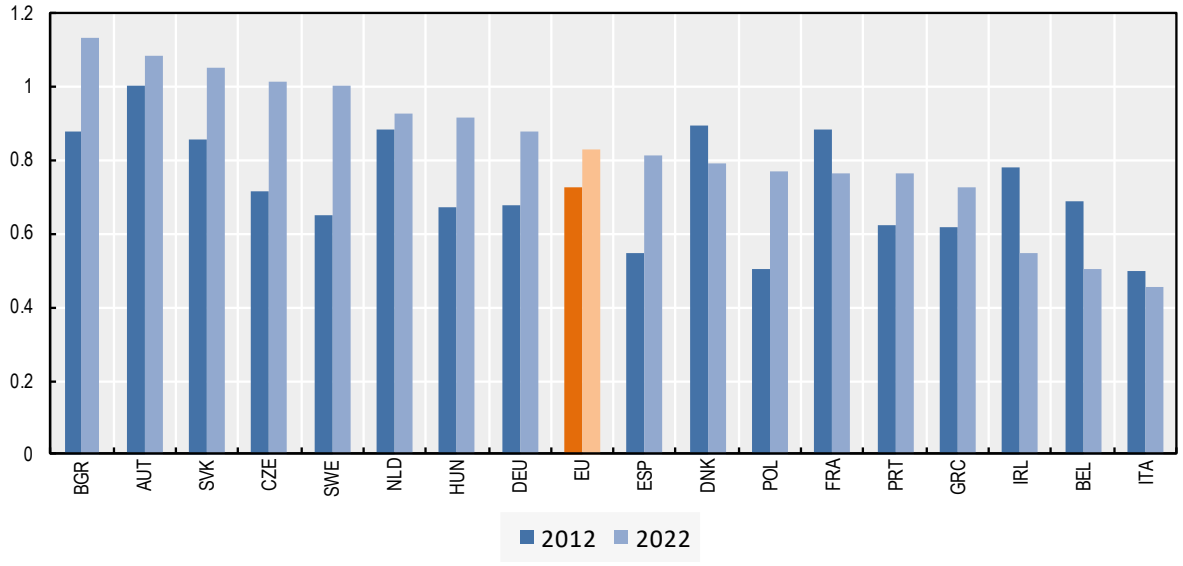
Retail sector productivity has remained relatively low and stable compared to other industries such as manufacturing (European Commission, 2018[21]). This reflects the sector's reliance on labour-intensive, small-format stores, which generate less output per euro of personnel cost. While technology has improved operational processes over the past decade, these gains appear to have often been offset by the expansion of lower-productivity segments, such as large warehouses that require extensive manual labour.

In both wholesale and retail, SMEs exhibit lower productivity than large firms, reflecting differences in economies of scale and business models. Over the whole period under study (2005-2022), SME productivity ratios typically fall below 1, indicating that large retail chains and big-box stores achieve higher output per worker than small shops. When comparing the two sectors, wholesale SMEs tend to have a narrower productivity gap than retail SMEs, where differences are often more pronounced. In most countries, retail SMEs register lower productivity ratios, typically ranging from 0.50 to 0.85.

Between 2012 and 2022, the productivity gap between large firms and SMEs narrowed in wholesale, with the EU-wide index rising from 0.73 to 0.83, and remained largely unchanged in retail, where the ratio went from 0.70 to 0.71. Wholesale SMEs achieved remarkable productivity gains in some countries, while retail productivity trends tended to remain stagnant in most places. In wholesale, strong relative improvements occurred in Czech Republic, Sweden and Poland. In retail, relative productivity gains among SMEs were more modest and unevenly distributed, with moderate improvements observed in the Netherlands, Ireland, and Portugal.

Figure 2.9. Wholesale SMEs slightly narrowed the productivity gap with large firms

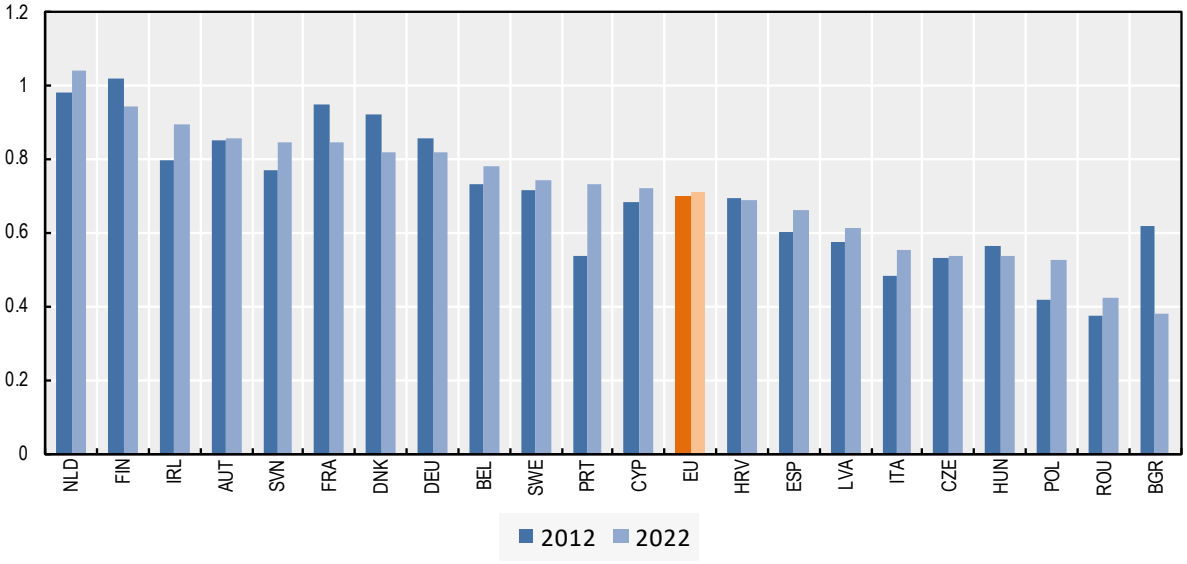
Ratio of SME labour productivity to large firms in wholesale, 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Figure 2.10. Retail SMEs are struggling to close the productivity gap with large firms

Ratio of SME labour productivity to large firms in retail, 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Structural Business Statistics

Business dynamics

This section examines the business dynamics of wholesale and retail, looking at the evolution of the number of enterprises, turnover rates (birth, death, and churn), and the prevalence of high- and medium-growth enterprises in these industries. Tracking these indicators provides insights on the changing competitive landscape in which wholesale and retail SMEs operate. The analysis is based on the OECD Structural and Demographic Business Statistics (SDBS) database, which provides detailed information on the structure and dynamics of economic sectors.

Box 2.2. Indicators on business dynamics: Key takeaways

- The retail ecosystem is overwhelmingly dominated by SMEs, often ranging between 99.7% and 99.9% of all firms. While the overall **number of enterprises** has grown in some countries, many retail markets appear to be experiencing consolidation, reflecting intensified competitive pressures from large companies and foreign firms.
- The figures reveal a dynamic yet challenging competitive landscape for retail SMEs. High entry rates among micro firms suggest robust entrepreneurial activity, but the corresponding high exit underscores industry pressures and market volatility, particularly during periods of economic disruption like the COVID-19 pandemic.
- While churn has declined over time, it remains elevated when compared to industry. The average **churn rate** declined across EU countries between 2011 and 2021, with wholesale falling from 18% to 15%, and retail from 20% to 19%.
- The relatively low **share of medium- and high-growth enterprises** points to difficulties in scaling, despite some regions showing stronger growth capacities, notably in some Nordic and Central and Eastern European countries.
- This mix of rapid entry and exit flows highlights both the resilience and fragility inherent in competitive markets. While entrepreneurial dynamism remains a characteristic of the EU retail ecosystem, the challenges in sustaining growth call for targeted policies.

Number of enterprises

In the EU-27, nearly 5 million businesses operate in the wholesale and retail sectors, the overwhelming majority of which are SMEs. Across all country-year observations from 2005 to 2023, SMEs consistently accounted for over 99% of enterprises, often ranging between 99.7% and 99.9%.

Retail consistently outnumbers wholesale in firm count, reflecting its fragmented structure. While wholesale businesses typically operate on a larger scale, serving as intermediaries between producers and retailers, retail firms are more dispersed across local markets, directly meeting consumer demand through small, independent stores.

While the number of firms has remained high, overall growth has been subdued. In mature markets, e-commerce expansion has contributed to a stagnant or declining number of physical retail establishments, whereas newer Member States recorded a surge of retail entrants in the 2010s. Yet, retail remains a major sector for entrepreneurship; in 2022, one in five newly registered firms in the EU operated in wholesale and retail trade or motor vehicle repair.

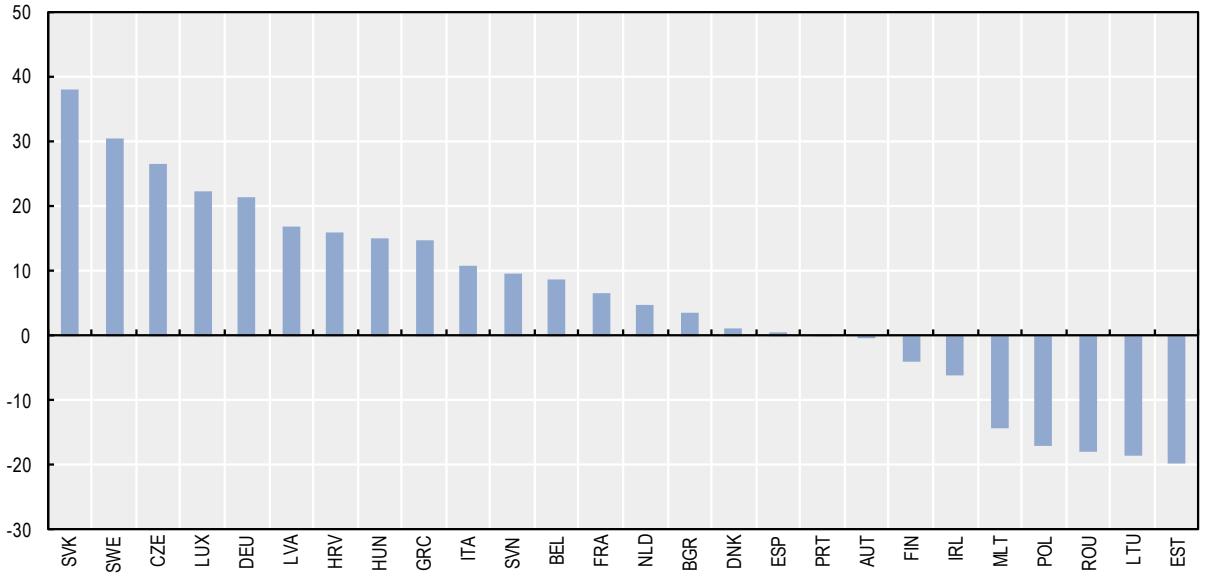
Long-term data indicate enterprise growth in wholesale, but trends over the past decade have been mixed. In wholesale, some countries experienced substantial expansion, including the Slovak Republic,

Sweden, and Czechia. However, other economies, such as Estonia, Lithuania, Romania, and Poland, experienced significant declines, possibly reflecting consolidation and shifting trade patterns.

In retail, market consolidation has intensified, with most EU economies seeing declines in the number of firms. Some exceptions include Romania, Estonia, and the Netherlands, where retail firm numbers grew notably. However, many countries experienced contractions, including Italy, Croatia, and Lithuania, suggesting that traditional retail businesses face growing challenges from e-commerce, digitalisation, and rising operational costs.

Figure 2.11. The number of wholesale firms has grown unevenly across EU countries

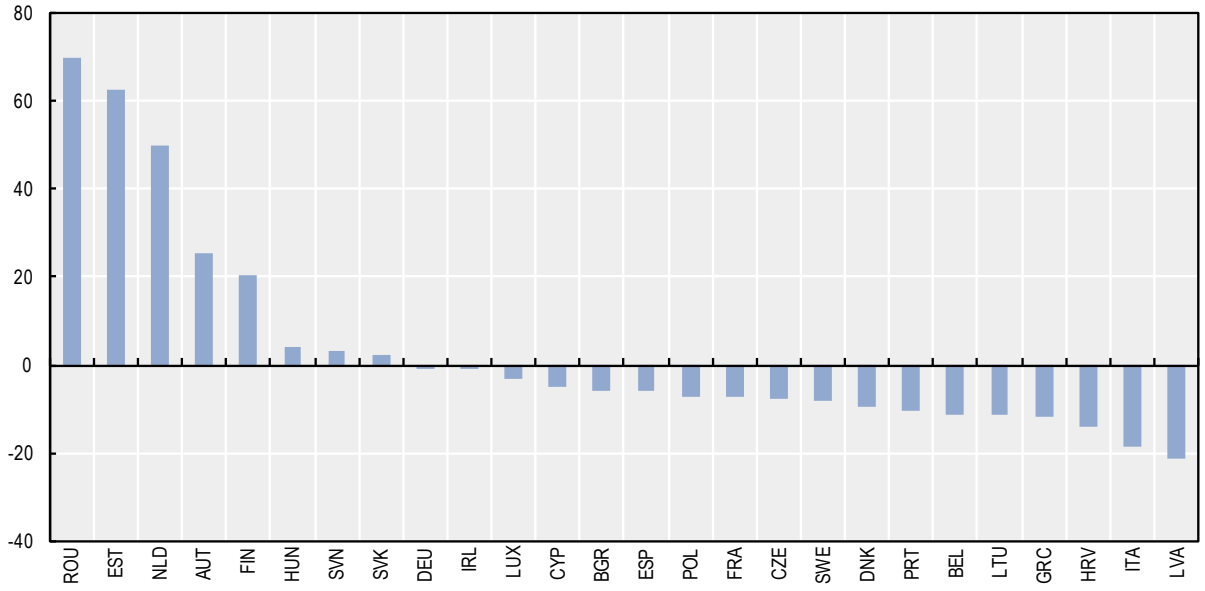
Percentage change in the number of wholesale enterprises (%), 2013 and 2023



Note: Values are indexed to 100 in 2013 for each country, representing relative percentage change over time.
Source: OECD Structural and Business Statistics (SDBS)

Figure 2.12. In retail, only a few countries have experienced an expansion in the number of firms

Percentage change in the number of retail enterprises (%), 2013 and 2023



Note: Values are indexed to 100 in 2013 for each country, representing relative percentage change over time.
Source: OECD Structural and Business Statistics (SDBS)

Birth, death, and churn rates

The retail ecosystem is a dynamic sector with high turnover of businesses, having one of the highest churns across industries, meaning a high rate of new firm entries (births) and exits (deaths) each year (European Commission, 2018[21])**.** As suggested by OECD Product Market Regulation indicators, this dynamism reflects relatively fewer regulatory constraints compared to other sectors, but entry is not without challenges (OECD, 2025[22]). Administrative procedures, zoning restrictions, and competitive pressures still pose barriers, especially for physical retail. Many entrepreneurs open physical stores or online shops, but survival can be tough in the face of shifting market conditions, including changing consumer trends or the arrival of large competitors. As expected, entries and exits in both wholesale and retail are primarily driven by micro-enterprises (0–9 employees).

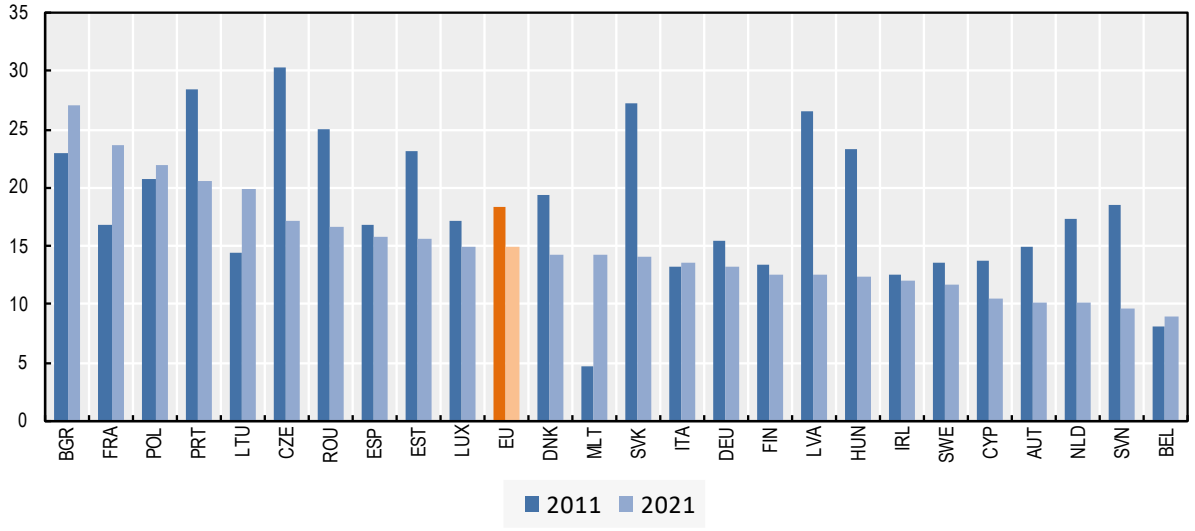
On average, between 2011 and 2021, churn rates declined across both sectors in the EU, with wholesale falling from 18% to 15%, and retail from 20% to 19%. Czechia and the Slovak Republic led the decline in wholesale, while important increases were observed in France and Malta. In retail, the Slovak Republic and Croatia experienced the sharpest drops, whereas Malta recorded the highest increase. This overall decline in churn likely reflects a combination of post-crisis stabilisation, growing market consolidation, and rising structural entry barriers, particularly in physical retail. Country-level variations likely reflect more fluid market conditions or less restrictive entry and exit dynamics in specific retail segments.

Over 2014–2019, net positive retail enterprise creation was observed in most countries, but the COVID-19 pandemic triggered a spike in closures due to lockdowns and liquidity problems (OECD, 2020[23])**.** Government support schemes mitigated insolvencies, and many businesses adapted by going online or switching formats. By 2021 and 2022, new businesses picked up again, highlighting the sector's resilience. Still, consolidation has increased as some small shops did not reopen, and larger chains or franchisers expanded into the gaps.

Retail churn rates are often higher than wholesale's, particularly among smaller businesses. In some countries, such as France and Poland, retail churn rates increased while wholesale rates decreased, highlighting sector-specific challenges in business dynamics. High churn might underscore robust entrepreneurial activity, but it might also suggest financial vulnerability among a large number of SMEs.

Figure 2.13. Wholesale experienced broad decline in churn rates across most EU countries

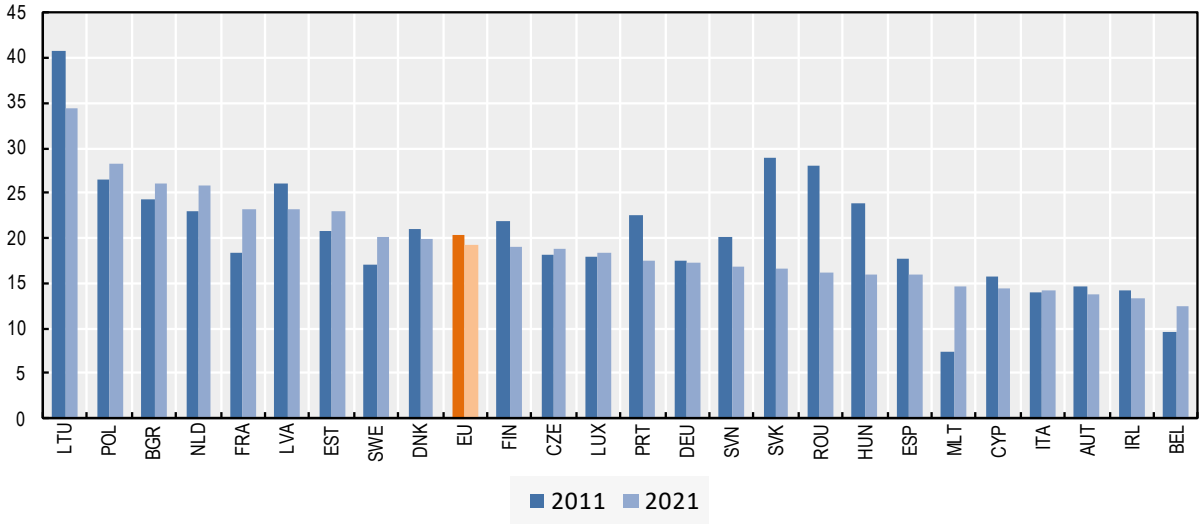
Churn rates in wholesale (%), 2011 and 2021



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: SDBS Business Demography Indicators

Figure 2.14. Retail's churn rates have remained relatively stable and higher than wholesale's

Churn rates in retail (%), 2011 and 2021



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: SDBS Business Demography Indicators

Rate of medium- and high-growth enterprises

The rate of medium- and high-growth enterprises is measured as the percentage of businesses, with 10 employees or more, having an average annualised employment growth greater than 10% over a three-year period. Although only a small percentage of firms achieve this, such businesses are often key sources of job creation and turnover growth in OECD economies (OECD, 2021[24]). Monitoring this indicator provides valuable insights into whether a given business environment supports enterprise scaling, as opposed to systems where SMEs face persistent barriers to growth.

Specifically, between 2012 and 2021, the share of medium- and high-growth enterprises declined slightly across the EU, falling from 8.7% to 8.0% in wholesale and from 9.4% to 8.6% in retail. In wholesale, Sweden and Poland experienced the steepest declines, while Italy and the Slovak Republic recorded notable increases, contrasting with the overall trend. In retail, Greece and Romania exhibited the largest drops, whereas Sweden posted the strongest growth.

In most EU countries, the proportion of medium- and high-growth enterprises in wholesale and retail typically remains in the single or low double digits. This indicates that while some firms in these sectors pursue growth, the majority experience stable or limited expansion. Consistent with this, an OECD study on "scalers" (OECD, 2021[24]) found that firms in less knowledge-intensive industries, including wholesale and retail, generally show a lower rate of scaling in employment compared to those in more knowledge-intensive sectors. In the study, across five European countries, (Finland, Italy, Portugal, the Slovak Republic and Spain), the average share of firms scaling in employment in knowledge-intensive services was around 15-20%, whereas the average for less knowledge-intensive services was around 10%.

Comparing figures from early post-crisis years (2012–2013) to more recent ones (2020–2021) often reveals dips during the periods of major disruptions, followed by recoveries as economies rebounded. In some markets, these shocks accelerated e-commerce or digital transformations, enabling certain retail SMEs to scale more quickly. Conversely, wholesale expansions often rely on stable cross-border supply chains that can be more vulnerable to global logistics disruptions.

This suggests that national ecosystems heavily influence growth patterns. While some countries report notably higher shares of growth-oriented firms in wholesale, reflecting advantages in B2B activities, logistics, or global supply chain integration, others see stronger growth rates in retail, possibly linked to the successful adoption of digital technologies. In general, Nordic countries appear consistently in the upper tier, which is indicative of the existence of well-developed markets with strong digital and financial infrastructures that support expansion.

International trade

This section examines the evolving role of SMEs in export and import activities in wholesale and retail. The analysis draws on the Trade by Enterprise Characteristics (TEC) dataset, compiled by the OECD in cooperation with Eurostat and directly from national statistical offices. TEC links business and international trade statistics, providing breakdowns by economic activity and size-class for most OECD and EU countries.

Wholesale and retail are deeply intertwined with international trade, mainly through the import of consumer goods. Over the past decade, imports handled by both sectors have increased, reflecting globalisation and consumer preference for a wider variety of products. Even small retailers can become active importers, stocking international and niche products to meet consumer demand in local markets.

Within this broader context, the rise of cross-border e-commerce within the EU has been a major shift over the last decade. Digitalisation has enabled smaller retailers to reach customers in other

Member States without a physical presence. By 2017, already 42% of online shoppers in the EU had made purchases from sellers in other EU countries (European Commission, 2018[21]), and cross-border online purchasing has continued to expand in subsequent years. SMEs are also increasingly using online marketplaces that serve multiple countries, leveraging single market integration. Surveys indicate that over a quarter of SMEs already sell cross-border within the EU, and many view the single market as essential to their growth strategies (European Commission, 2025[25]). However, competition from non-EU retailers has intensified as global e-commerce firms and marketplaces (e.g. Amazon, TEMU, Shein) have expanded their footprint in Europe, increasing consumer choice while adding pressure on local SMEs.

A range of EU policies has supported cross-border digital trade. The Digital Single Market strategy (2015) aimed to remove barriers and expand e-commerce in the EU (European Commission, 2015[26]). Measures such as the Geo-Blocking Regulation (2018) prohibit discrimination of customers based on nationality or residence, allowing consumers to access foreign EU websites and deals more easily (European Commission, 2025[27]), while VAT simplification through the One-Stop Shop system has simplified tax compliance for cross-border online sellers (European Commission, 2025[28]). Beyond digital policies, common product standards and safety rules facilitate the sale of goods across Member States, and euro-area infrastructure such as the Single Euro Payments Area (SEPA) has contributed to streamline cross-border payments (European Central Bank, 2025[29]).

Cross-border e-commerce can still involve significant frictions for retailers. Logistics constraints, including delivery delays, returns management and higher shipping costs since the COVID-19 pandemic can disproportionately affect smaller businesses (OECD, 2021[30]). In addition, compliance obligations in certain product categories can create fixed costs for cross-border B2C sales. This is notably the case for extended producer responsibility (EPR) schemes (e.g. textiles), where sellers may face registration and, in some cases, representation obligations in multiple Member States, and where clear arrangements with suppliers are needed to avoid duplication of responsibilities and fees (European Commission, 2025[31]).

Trade policy and geopolitical developments also shape retailers' trading environment. The EU has concluded several free trade agreements (e.g. Canada, Japan, Vietnam) aiming to reduce or eliminate tariffs on various goods, thereby lowering import costs for retailers and increasing product availability for consumers (European Commission, 2025[32]). However, shifts in the trade-policy environment – including sudden changes in tariff levels – can weaken legal certainty and complicate business planning, affecting sourcing strategies, pricing and inventory management. The United Kingdom's exit from the EU added customs and non-tariff barriers, complicating trade for retailers that source from or sell to that country (British Chambers of Commerce, 2023[33]). Geopolitical and pandemic-era disruptions have also exposed retail's vulnerability to logistics bottlenecks, prompting businesses of all sizes to reassess suppliers and explore local or regional sourcing alternatives (Schleper et al., 2021[34]; Bednarski et al., 2025[35]).

Reducing administrative burdens and regulatory fragmentation remains a recurring EU priority. In May 2025, the European Commission adopted its new Single Market Strategy ("A simpler Single Market to make companies choose Europe"), which identifies the "most harmful barriers" to intra-EU trade and investment and proposes measures to simplify compliance and digitise key administrative processes, including the recognition of professional qualifications and the deployment of digital identity tools for businesses (European Commission, 2025[36]).

Despite these dynamics, the sector's openness to trade remains fundamentally different from manufacturing. While industrial firms drive EU exports by leveraging large-scale production and global supply chains, retailers remain primarily oriented towards domestic markets, with far fewer businesses engaged in outbound trade. The value of goods exported by retail and wholesale companies remains significantly lower than that of manufacturers, underscoring the sector's stronger dependence on imports to meet consumer demand rather than on exports as a growth strategy (Eurostat, 2024[37])

Box 2.3. Indicators on international trade: Key takeaways

- Over the past decade, SMEs in wholesale and retail have become more engaged in international trade, with retailers consistently outpacing wholesalers in export and import growth. However, these trends highlighting the rapid internationalisation of retail and wholesale SMEs also mask persistent regional disparities in trade participation.
- Between 2012 and 2021, the **number of exporting SMEs** grew by an average of 9% in wholesale and 57% in retail, while **importing SMEs** increased by 11% in wholesale and 49% in retail.
- Beyond firm numbers, the **export and import values** of SMEs have risen significantly. Wholesale export values increased by 42% and retail by 126%, while SME import values grew by 45% and 56% in these sectors, respectively.
- **SMEs' share of export value** increased in wholesale (from 73% to 77%) but declined slightly in retail (from 52% to 50%), highlighting diverging trends in SME internationalisation.
- Meanwhile, **SMEs' share of import value** dropped significantly in wholesale (from 76% to 45%) and moderately in retail (from 45% to 40%), suggesting consolidation along global supply chains, with larger firms increasingly dominating procurement operations.
- The rapid adoption of e-commerce, both B2B and B2C, has lowered barriers to cross-border trade for SMEs in both wholesale and retail, helping them become more globally connected. While the policy environment has generally moved toward openness and integration, external shocks have tested the resilience of retail supply chains.
- Looking ahead, further reductions in trade barriers and targeted support for the internationalisation of retail SMEs will be essential to overcoming scale-related challenges and ensuring a more level playing field.

Number of exporting and importing SMEs

SMEs in both wholesale and retail have become more engaged in international trade, as reflected in the rising number of exporting and importing firms. Remarkably, retail has generally outpaced wholesale in both export and import numbers growth.

Between 2012 and 2021, the average number of exporting SMEs across EU Member States grew by approximately 9% in wholesale and 57% in retail. In wholesale, Spain and Belgium recorded the strongest growth, while Croatia and the Slovak Republic experienced the steepest declines. In retail, Spain and France recorded exceptional increases, followed by Romania and Germany, whereas Croatia and Czechia experienced the sharpest drops.

Over the same period, the average number of importing SMEs increased by 11% in wholesale and 49% in retail, mirroring many of the trends observed in the case of exporters. Spain and Belgium also led growth in importing wholesalers, while Spain and France posted again the largest gains in the number of importing retailers. Croatia and Malta experienced the most significant declines in the number of importing SMEs across both sectors.

SMEs' export and import value

Over the last decade (2012-2021), the value exported by SMEs grew significantly across EU Member States, increasing by an average of 42% in wholesale and an even more substantial 126% in retail. In wholesale, Croatia and Bulgaria led growth. Similarly, retail exports surged in Croatia and Romania, with

Denmark and Estonia also posting remarkable gains. Malta experienced the largest drop in both sectors. Regional disparities are evident, and Croatia presents an interesting case. Despite a decline in the number of exporting retail SMEs over the last decade – coinciding with its EU accession in 2013 –, the value exported by these businesses has surged, suggesting that a smaller, more competitive core of firms is successfully scaling up their export activities, reflecting strategic adaptation to the opportunities and challenges of EU integration.

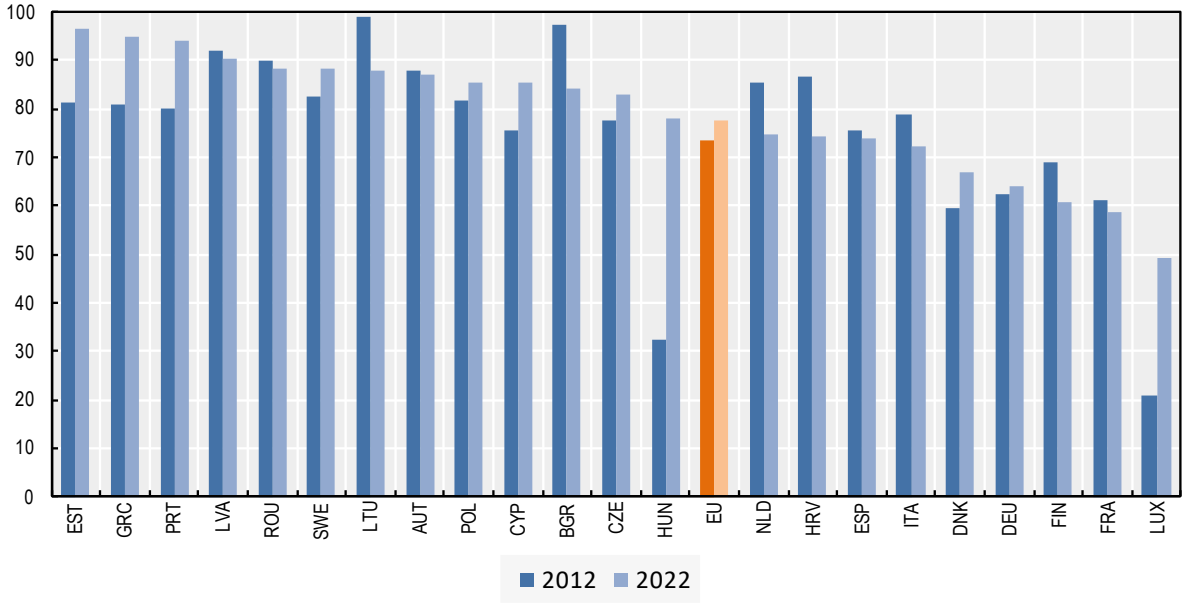
Over the same period, SME import values also increased significantly across EU Member States, averaging a 45% increase in wholesale and 56% in retail. In wholesale, Romania and Bulgaria posted the highest increases, while Malta recorded the only decline. The Netherlands and Hungary led growth in retail, followed by Poland and Germany. Cyprus and Latvia experienced the sharpest drops.

SMEs' share of export and import values

Over the past decade, SMEs' share of export value increased in wholesale (from 73% to 77%), while it declined slightly in retail (from 52% to 50%), highlighting contrasting trends between the two sectors. Hungary and Luxembourg experienced the largest gains in wholesale, while the Slovak Republic and Bulgaria recorded the steepest declines. In retail, Luxembourg exhibited the strongest growth, whereas the Netherlands and Latvia experienced the largest drops. Overall, this shift suggests that smaller wholesalers are successfully broadening their international reach, benefiting from factors such as EU market integration, improved logistics, digital platforms, and supportive policy measures. In turn, retail SMEs' relative contributions to exports have been more volatile across the EU. In some countries, SME export shares have grown significantly, while some markets have witnessed steep declines. These divergent trends suggest that scale-based advantages and the dominance of large online platforms may be increasingly sidelining smaller exporters.

Figure 2.15. Wholesale SMEs generally maintain a dominant position in export markets

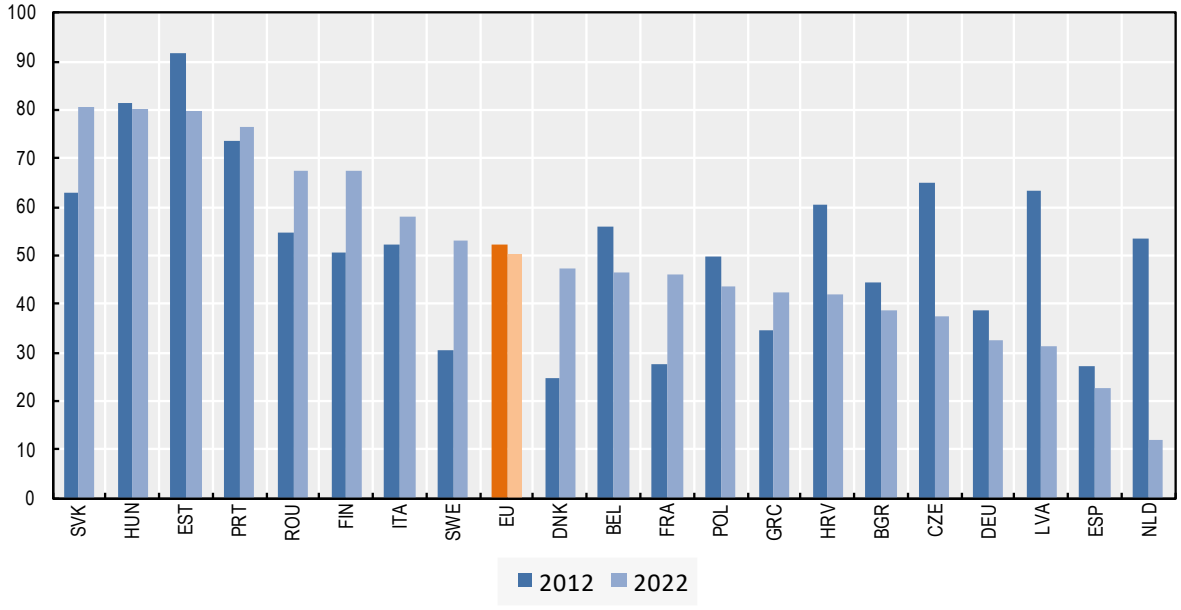
Wholesale SMEs' share of export value (%), 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD TEC Database

Figure 2.16. Retail SMEs' contribution to exports has been volatile but the EU average has remained stable

Retail SMEs' share of export value (%), 2012 and 2022



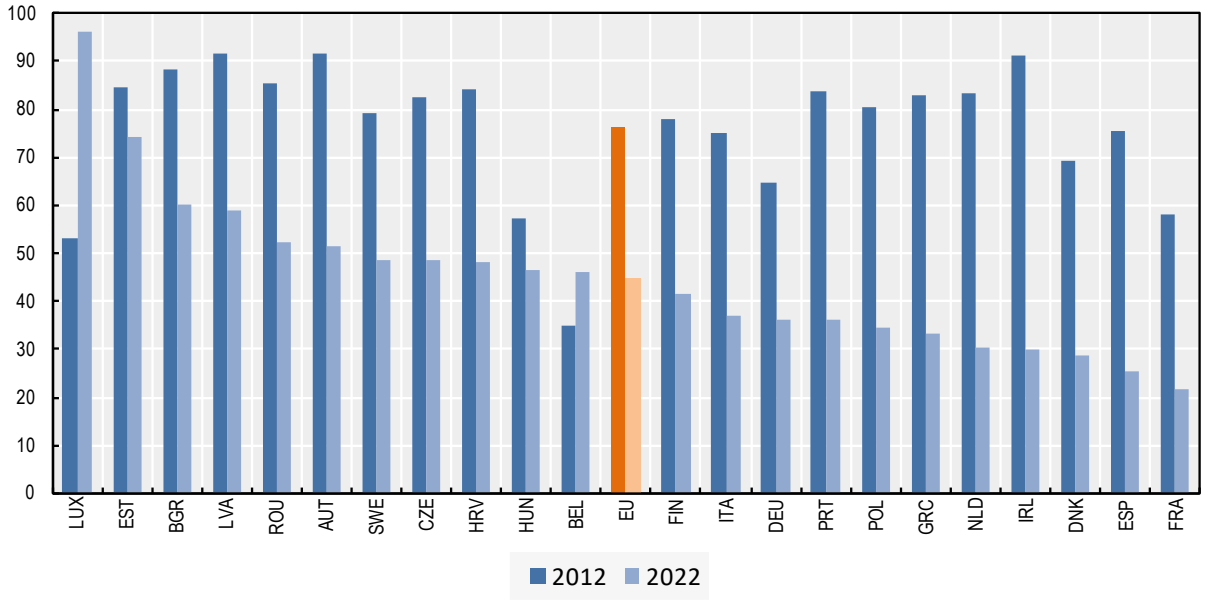
Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD TEC Database

Over the past decade, despite growth in absolute terms, SMEs' share of import value declined sharply in wholesale (from 76% to 45%) and more moderately in retail (from 45% to 40%), reflecting a shift toward larger importers within an expanding market. Ireland experienced one of the most significant drops in wholesale, while Latvia and the Czech Republic recorded the steepest declines in retail. Despite the overall downward trend, countries like Luxembourg in wholesale, and Ireland and France in retail, were among the few exceptions showing growth. These patterns indicate an increasing concentration of import activity among larger firms, particularly in wholesale, though some markets have seen resilience among SME importers.

Overall, SMEs in both wholesale and retail have deepened their engagement in international trade, with significant increases in absolute export and import values, but their relative share of export and import activity has evolved differently across sectors. While retail SMEs are exporting more, they face intensifying competition from larger firms and dominant online platforms, which capture a growing portion of total export activity. Similarly, SMEs' share of import value has declined in both sectors, suggesting that larger firms are increasingly dominating procurement and supply chain operations, consolidating their influence over global trade flows.

Figure 2.17. Wholesale SMEs' share of import value has declined sharply

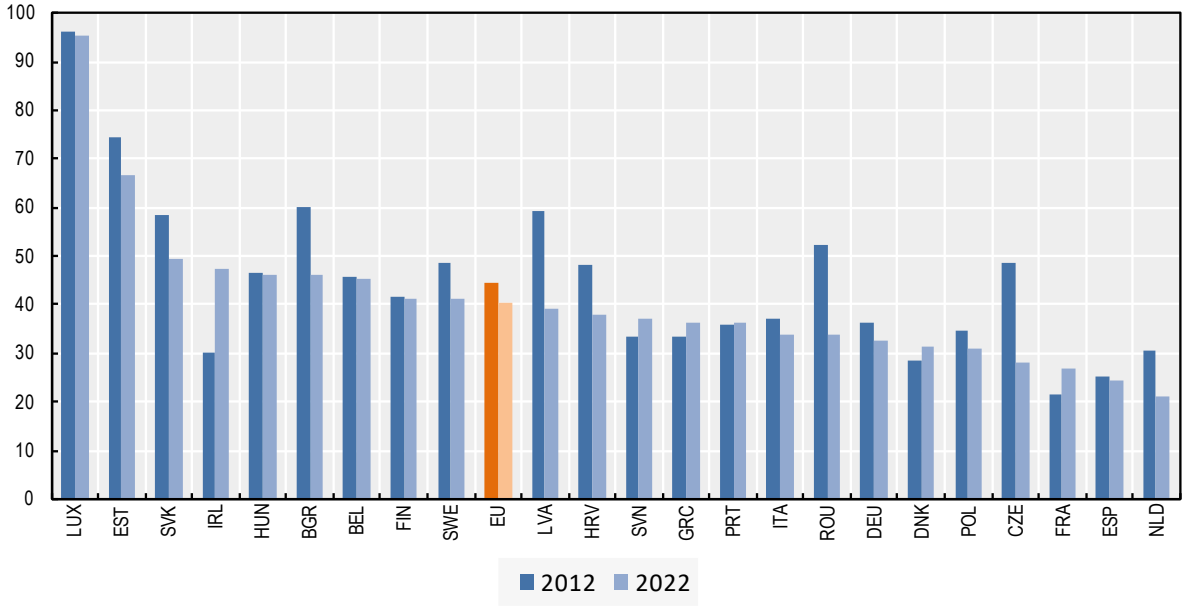
Wholesale SMEs' share of import value (%), 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD TEC Database

Figure 2.18. Retail SMEs' share of imports shows mixed trends

Retail SMEs' share of import value (%), 2012 and 2022



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: OECD TEC Database

Digitalisation

E-commerce has transformed retail over the past decade, driven by changing consumer habits and accelerated by the COVID-19 pandemic (OECD, 2023[38])**.** The share of EU internet users purchasing online grew from 59% in 2014 to 77% in 2024, significantly expanding the market for digital commerce (Eurostat, 2024[39]). Online sales also account for a larger share of total retail turnover, rising from 10% in 2017 to 19% in 2023 (Eurostat, 2024[40]), with certain product categories recording even higher online penetration rates, such as clothing, shoes, electronics, and books (Statista, 2023[41]).

However, the rise of digital marketplaces has been a double-edged sword for SMEs. While platforms such as Amazon, eBay, Allegro, Zalando, and Vinted enable small retailers to access national and EU-wide markets, they also generate fierce competition. Even before the pandemic, e-commerce played an increasingly important role in consumer markets and policymaking (OECD, 2019[42]). In some countries, such as France, online marketplaces accounted for more than half of online purchases (Statista, 2021[43]). This concentration often reduces the visibility of SMEs and compresses their profit margins, making it more difficult for smaller businesses to compete unless they invest in platform advertising or adopt niche strategies. More recently, some non-EU platforms have allowed the sale of goods that do not comply with EU standards and regulations, which constitutes an unfair competition practice for European SME retailers and breaches the Digital Services Act (European Commission, 2025[44]).

In response to these shifts, hybrid and omnichannel retailing are gradually becoming the norm (OECD, 2023[38])**.** As consumers expect seamless online and offline experiences, even small retailers are offering home delivery, online ordering, or at least digital product catalogues. Many SMEs have redefined their store roles. Some act as fulfilment hubs, while others leverage mobile apps and loyalty programs to enhance customer engagement.

Beyond e-commerce, broader digital adoption has increased among businesses of all sizes, though large retailers lead the way. Major firms benefit from dedicated IT teams, while many SMEs still struggle with basic digitalisation. However, infrastructure improvements have helped close the gap: virtually all EU businesses now have broadband access, and over 15% benefit from high-speed connections (1 Gb/s or more) (Eurostat, 2024[40]). Expanding 4G/5G coverage, rural broadband initiatives, and secure online payments have boosted digital transactions. Meanwhile, logistics improvements, including parcel delivery networks, pickup lockers, and faster courier services, have enabled quicker and more reliable order fulfilment, even for SMEs.

Digitalisation is also reshaping productivity and supply chain processes. Large retailers increasingly use Electronic Data Interchange (EDI) systems to automate reordering, with EDI-driven sales accounting for 12% of total EU enterprise turnover in 2023 (Eurostat, 2024[40]). While SMEs lag behind in such advanced systems, more businesses are adopting cloud computing and CRM tools, which enable them to streamline operations and expand customer reach without proportional cost increases. Likewise, while adoption is still in its early stages, AI-driven solutions are beginning to play a greater role in retail and wholesale and have the potential to further enhance SME competitiveness. By 2024, about 13.5% of EU enterprises used already some form of AI (Eurostat, 2025[45]). According to the EMI Enterprise Survey 2024, the adoption of advanced digital technologies increased productivity by 16.5% on average in retail companies, as proxied by the output per hour worked (European Commission, 2025[46]) .

SMEs in the wholesale and retail sectors are increasingly adopting digital tools, including e-commerce, websites, social media, cloud computing, customer relationship management (CRM), and artificial intelligence (AI). This analysis is based on the OECD ICT Access and Usage by Businesses database, which surveys enterprises with 10 or more employees and provides insights into digitalisation trends across OECD and EU countries.

Box 2.4. Indicators on digitalisation: Key takeaways

- Wholesale businesses have traditionally led in adopting digital tools, but retailers' growing emphasis on omnichannel models has narrowed this gap over recent years.
- Across the EU, the share of enterprises receiving online orders has steadily increased since 2013, from 31% to 43% in wholesale and from 23% to 43% in retail, reflecting the growing role of **e-commerce.**
- Across the EU, 85% of wholesale businesses and 67% of retail businesses had an operating **website** in 2023. Ownership is near-universal in some countries, reflecting the widespread recognition that an online presence is essential for visibility and customer engagement.
- **Social media** adoption in wholesale has remained relatively stable, with an EU average of 33% in 2013, rising only slightly to 34% in 2023. In contrast, retail SMEs maintain significantly higher adoption rates, though usage has slightly declined over the same period, from 69% to 66%.
- **Cloud computing** adoption has surged across both sectors, rising from 19% to 51% in wholesale and from 14% to 39% in retail between 2014 and 2023.
- From 2014 to 2023, **CRM** adoption has shown contrasting trends across sectors, with wholesale experiencing a slight decline (from 39% to 37%) and retail seeing a modest increase (23% to 24%).
- Between 2020 and 2024, **AI** adoption has accelerated in both sectors, rising from 6% to 15% in wholesale, and from 7% to 12% in retail. The increase has been more pronounced in Northern and Western Europe.
- The employment of **ICT specialists** has seen only a modest increase over the past decade, rising from 25% to 26% in wholesale and from 15% to 16% in retail.
- Digital adoption offers SMEs opportunities to expand their reach and compete more effectively, but resource constraints, skill shortages, and uncertainty about its relevance often slow their transformation. Sustaining and accelerating an upward trajectory will require investments in technology and ensuring businesses have access to a skilled workforce.

E-commerce adoption

The first indicators presented are related to the extent to which businesses sell goods and services online. Two different indicators are used to assess the degree to which wholesale and retail businesses have adopted e-commerce:

- *Businesses receiving orders over computer networks*: Businesses receiving orders (i.e. making sales) over computer networks by methods specifically designed for the purpose (includes web pages, extranet or EDI – Electronic Data Interchange), within the last 12 months.
- *Businesses with websites allowing for online ordering:* Businesses with a website allowing for online ordering or reservation or booking (e.g. shopping cart).

Although these two measures may overlap, they capture slightly different aspects of e-commerce. Some firms may operate an online shop on their website yet report minimal digital orders; others can conduct significant online sales exclusively through third-party channels without their own e-commerce site. Taken together, these measures offer a complementary view of the e-commerce landscape, highlighting the diversity of digital sales strategies among businesses.

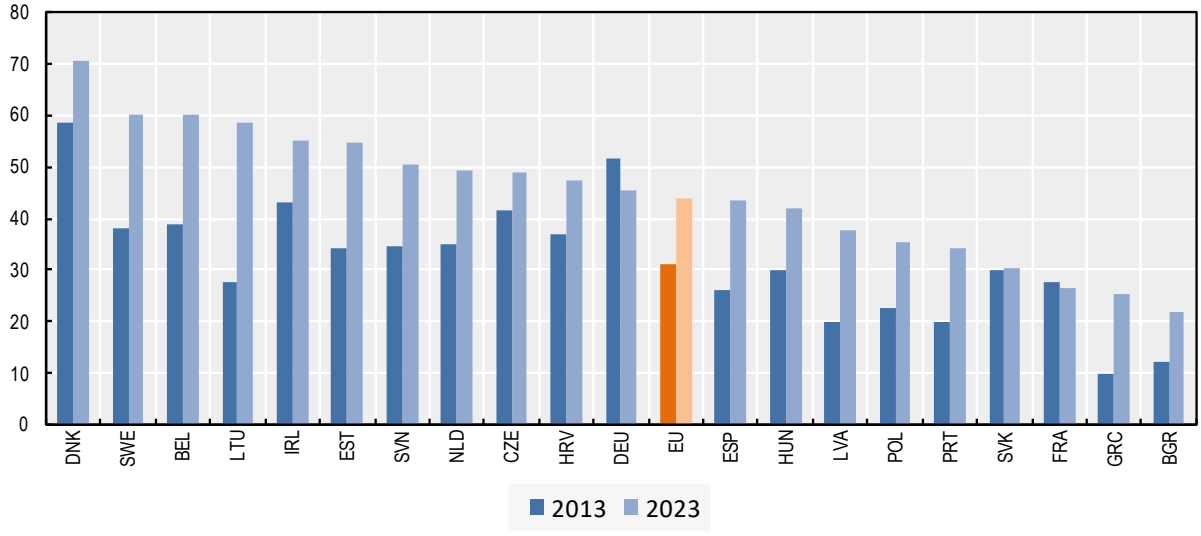
Across the EU, the share of enterprises receiving orders over computer networks has steadily increased since 2013, from 31% to 43% in wholesale, and from 23% to 43% in retail. In countries like

Denmark and Sweden, adoption exceeds 60–70% of enterprises, reflecting robust digital infrastructure and widespread use of online sales channels. By contrast, economies such as Greece, Bulgaria, and Romania started from lower bases in single-digit percentages and, despite gradual growth, still lag behind in relative terms.

From a sectoral perspective, retail often outperforms wholesale in e-commerce adoption, likely reflecting the relative ease of (and pressure for) B2C online sales. In some large economies such as France and Germany, wholesale and retail adoption levels are more balanced, suggesting that B2B channels are embracing digital ordering too.

Figure 2.19. Wholesalers increasingly rely on online orders

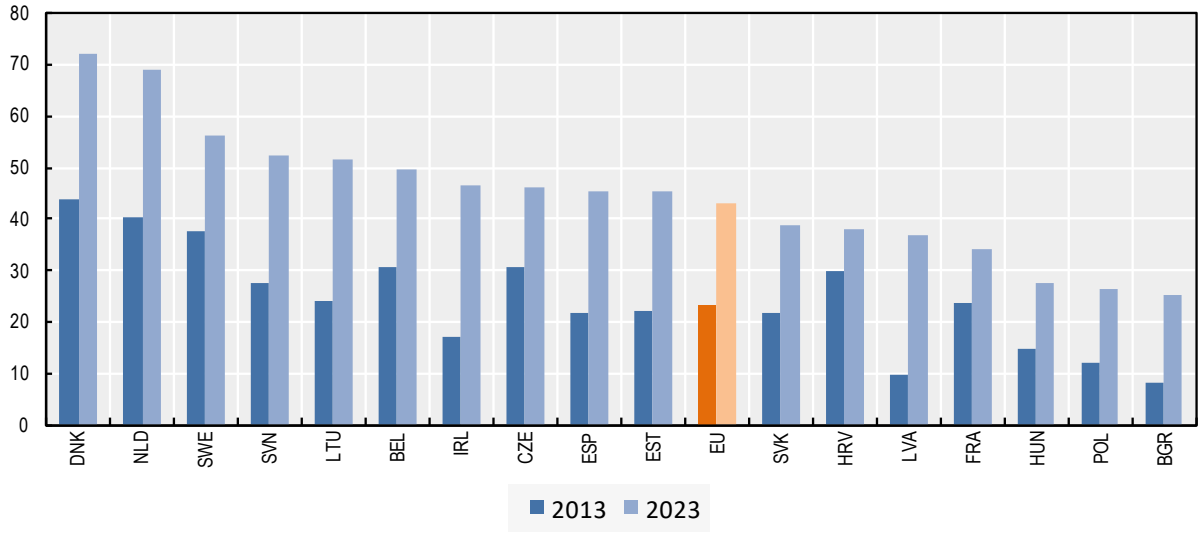
Wholesale businesses receiving orders over computer networks as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.20. More retailers are taking orders online than ever before

Retail businesses receiving orders over computer networks as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

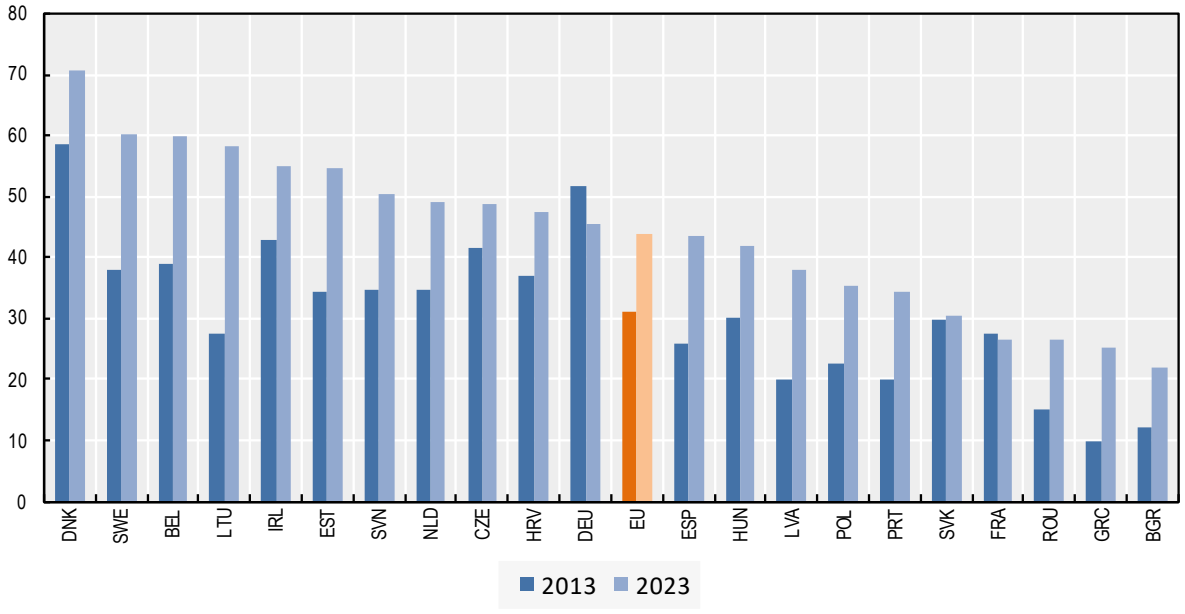
Data on businesses with dedicated e-commerce websites generally mirror trends seen in businesses receiving orders over computer networks. Still, this indicator may understate e-commerce reliance in countries where third-party marketplaces play a dominant role.

Between 2013 and 2023, the share of businesses with dedicated e-commerce websites increased significantly across the EU, rising from 31% to 44% in wholesale and from 23% to 43% in retail. In wholesale, Lithuania and Estonia recorded the largest increases, while in retail, Ireland, Denmark, and Lithuania led growth.

Overall, retail exhibited faster adoption than wholesale, reflecting shifting consumer preferences and increasing digitalisation in retail trade. Despite this trend, a few countries (e.g. Czechia, Latvia) show instances in which wholesale businesses equal or surpass retailers in this metric.

Figure 2.21. The share of wholesalers with dedicated e-commerce websites has steadily increased

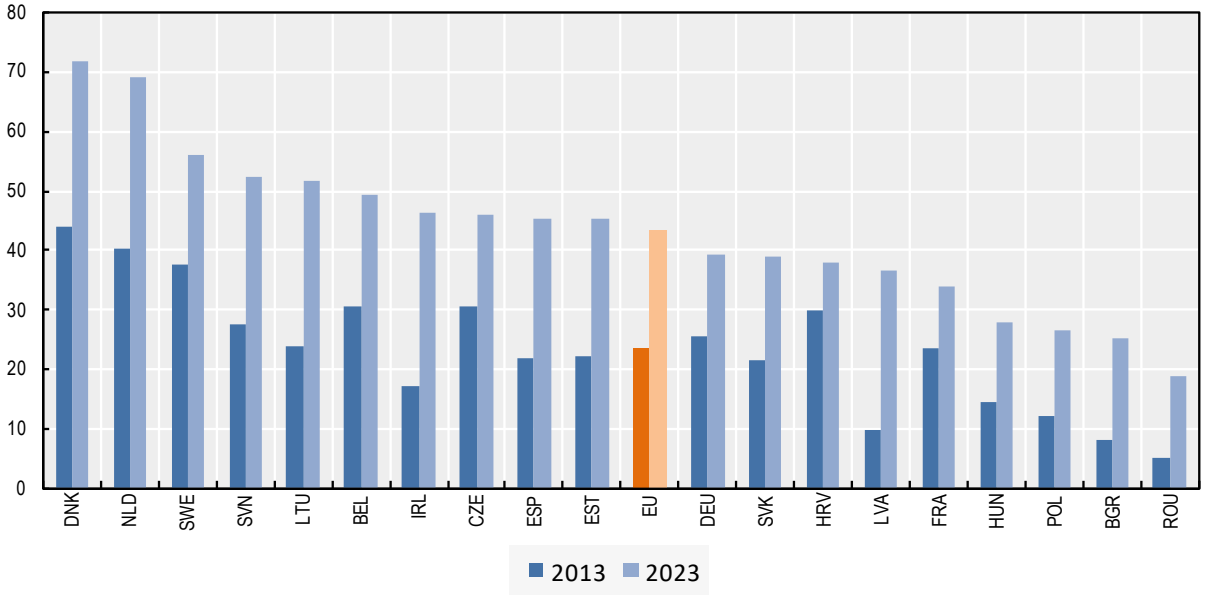
Wholesale businesses with websites allowing for online ordering as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.22. More retailers are launching their own e-commerce websites

Retail businesses with websites allowing for online ordering as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

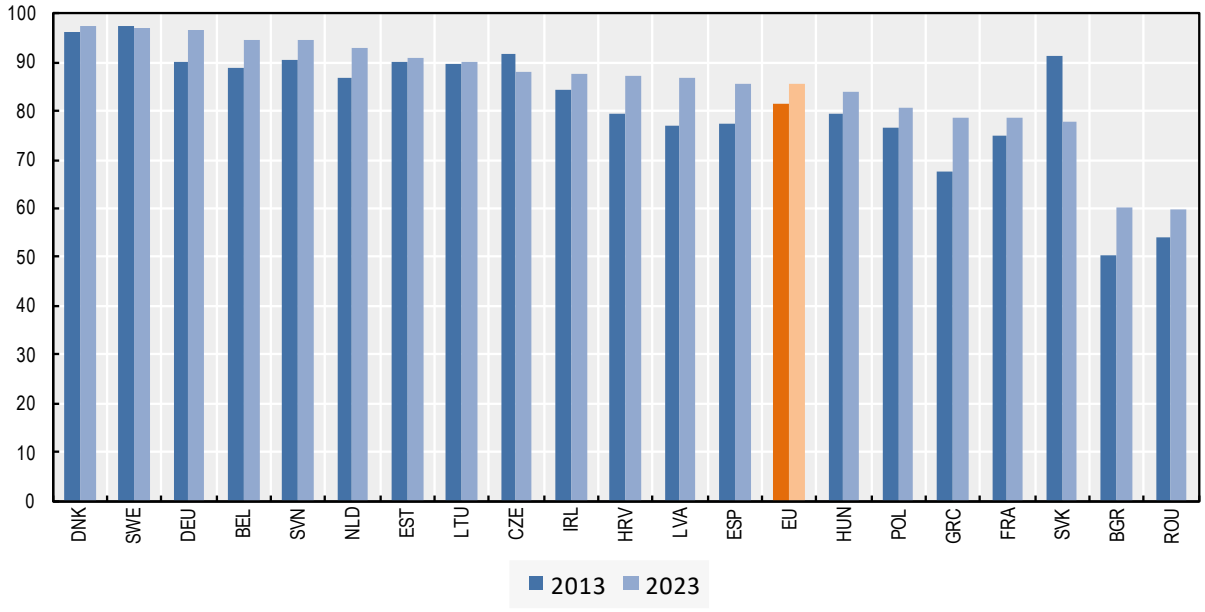
Website ownership

Across the EU, 85% of wholesale businesses and 67% of retail businesses had an operating website in 2023. Maintaining a website or homepage has evolved into a near-standard practice across Europe. Many EU Member States (e.g. Denmark, Sweden, Germany, the Netherlands) report website ownership rates of 80–90% or higher among wholesale enterprises, with retail often following closely. This trend extends from the late 2000s through the early 2020s and underscores that an online presence, whether B2B or B2C, is now viewed as a fundamental element of doing business in these industries.

Despite this widespread ownership of websites in wholesale and retail, cross-country disparities persist. Some economies display large wholesale–retail gaps in website ownership (e.g. Austria, Germany, where wholesale exceeds 90% while retail lags by 10–15 percentage points). Conversely, in markets like Slovenia and Denmark, retail closely matches or even surpasses wholesale rates, reflecting a strong push among consumer-facing businesses to build brand visibility online. Central and Eastern European countries have also made substantial gains in recent years, in some cases moving from moderate adoption to near the frontier.

Figure 2.23. Across the EU, 85% of wholesale businesses had a website in 2023

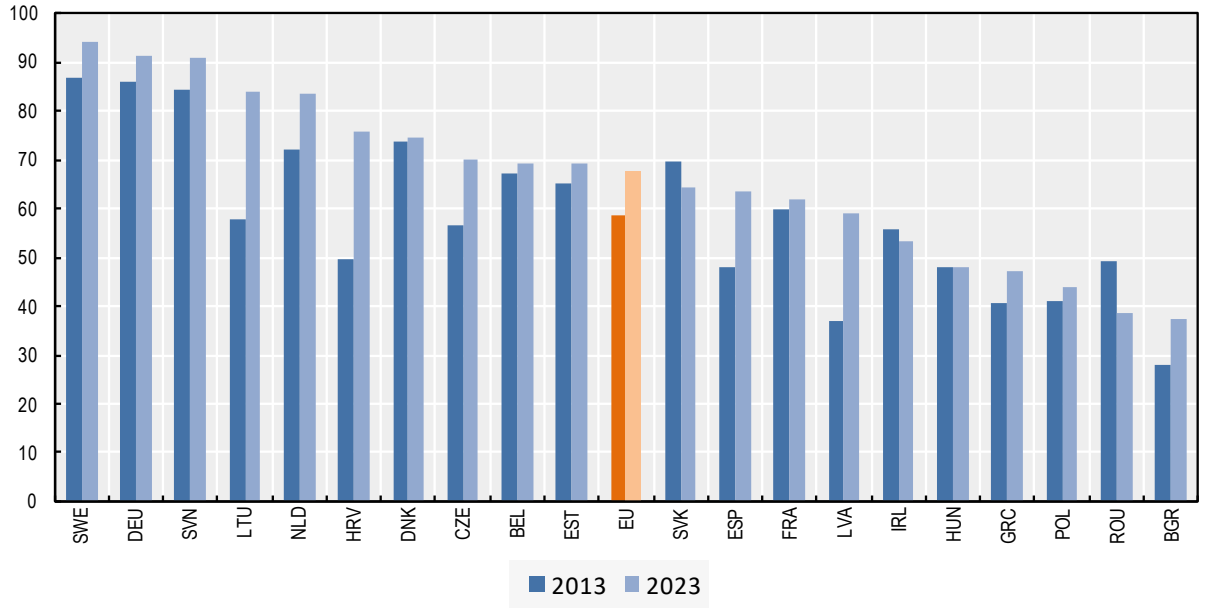
Wholesale businesses with a website as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.24. Across the EU, two-thirds of retail businesses had a website in 2023

Retail businesses with a website as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Social media

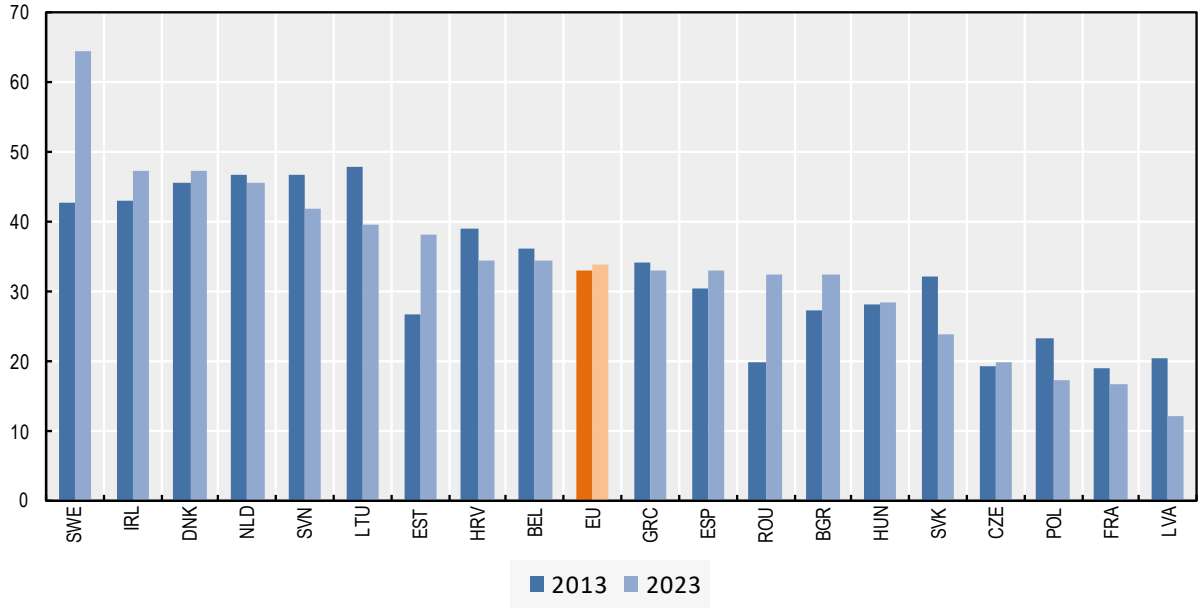
As social networks and online reviews grow in influence, wholesale and retail businesses have been integrating social media into their marketing and engagement efforts since the early 2010s, with small variations in the last decade. Indeed, use of social media for business purposes has become a relatively standard practice by the 2020s in most EU countries, providing powerful channels for brand building, promotions, and directly interacting with customers.

From a sectoral perspective, retail tends to record higher usage compared to wholesale. Northern and Western European economies (e.g. Denmark, the Netherlands, Sweden, and Finland) often report adoption rates exceeding 80%, and in some cases, even surpassing 90%. However, while the wholesale sector has seen a modest increase in social media adoption across the EU over the decade (+ 1 pp), the retail sector experienced a slight decline (-2 pp).

Although social media usage does not necessarily translate into online sales or operational improvements, it often serves as an entry point to broader digital transformation efforts. While initial usage focuses on marketing in low-cost platforms (e.g. Instagram, WhatsApp) for brand visibility and customer service (live chats, feedback collection), it can create foundational digital capabilities that enable expansion into data analytics for market insights, CRM and cloud-based project management tools, and e-commerce integration.

Figure 2.25. Wholesale social media usage is stable on average, with notable country-level variation

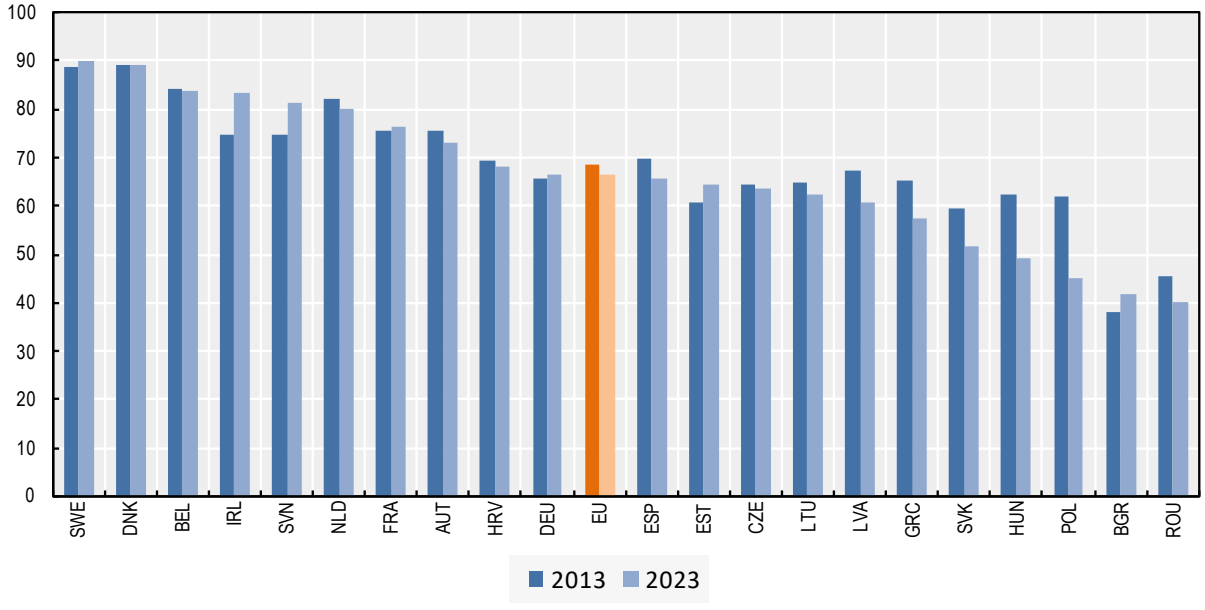
Wholesale businesses using social media as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.26. Use of social media has become a relatively standard practice among retailers

Retail businesses using social media as a percentage of total enterprises (%), 2013 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Cloud Computing

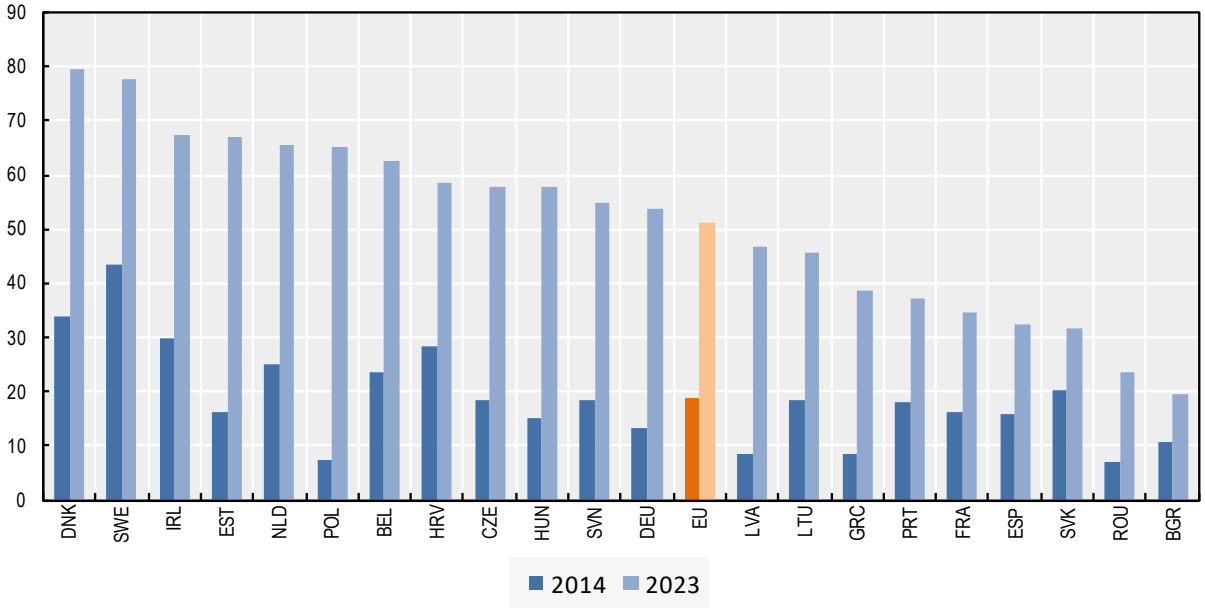
At EU level, the share of businesses using cloud computing services increased significantly over the last decade in both wholesale (19% to 51%) and retail (14% to 39%). Data collected since 2014 indicate that most EU Member States started with single- or low double-digit cloud adoption rates and have since risen substantially, often into the 30–50% range or higher.

Nordic countries like Denmark and Sweden show strong adoption in both sectors. In wholesale, leading countries include Denmark (79%), Sweden (78%) and Ireland (67%). Poland shows the largest increase of 58 percentage points, while Bulgaria has the lowest adoption rate at 8%. In retail, Denmark again leads with 60%, followed by the Netherlands (58%). Slovenia and Estonia show the largest increases of 43 and 39 percentage points, respectively, while Bulgaria has the lowest adoption rate at 15%.

In many markets, wholesale shows stronger uptake than retail, likely driven by the more complex logistics, inventory management, and data analytics requirements in B2B distribution. Denmark, the leader in both sectors, exemplifies this gap. Nonetheless, in a few countries (e.g. Slovenia, the Slovak Republic), retail matches or slightly outpaces wholesale. As cloud computing continues to evolve, further increases in adoption rates are expected.

Figure 2.27. Wholesale leads the way in cloud computing adoption

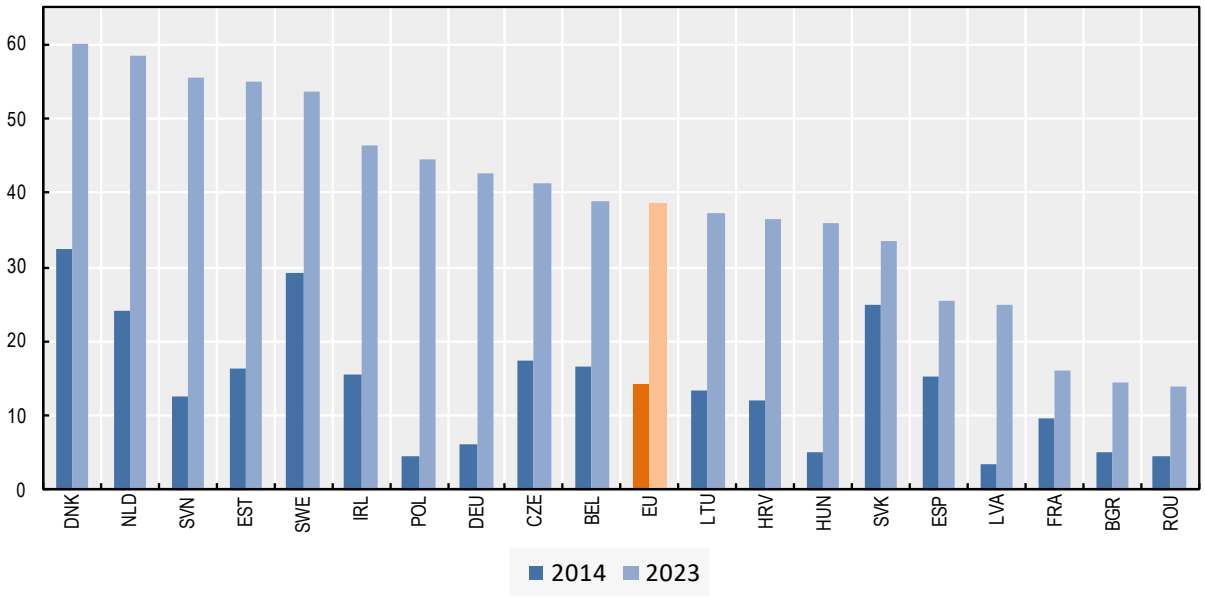
Wholesale businesses purchasing cloud computing services as a percentage of total enterprises (%), 2014 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.28. Retail businesses are rapidly embracing cloud computing services

Retail businesses purchasing cloud computing services as a percentage of total enterprises (%), 2014 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Customer Relationship Management (CRM)

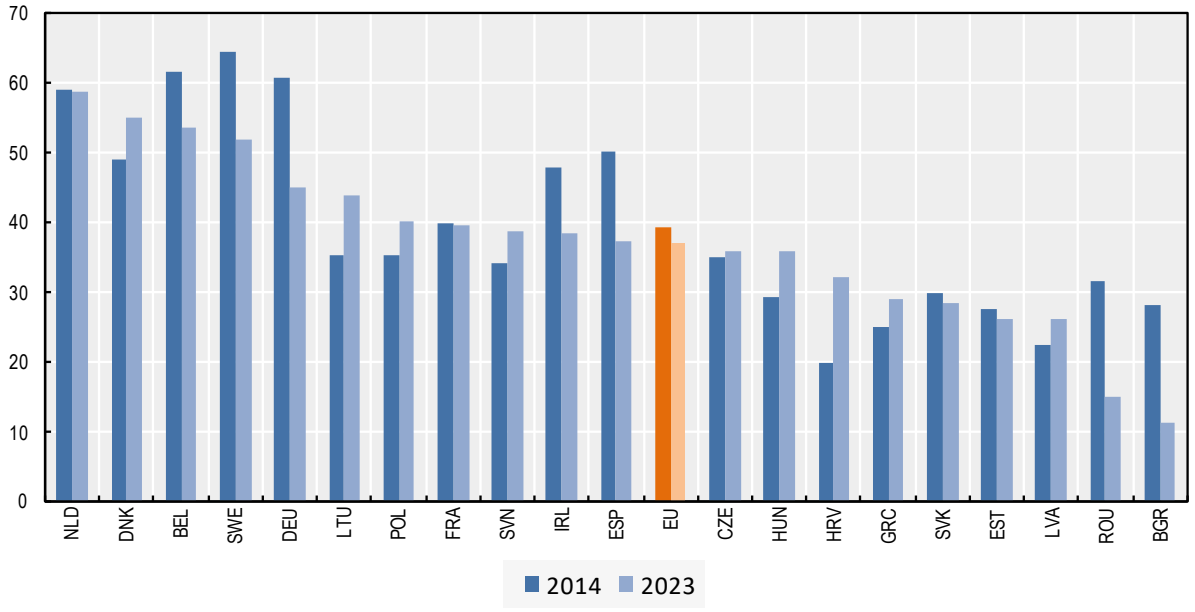
Wholesalers adopt CRM systems at higher rates than retailers, likely reflecting the greater complexity of managing large B2B accounts, partner networks and logistics operations. Over the past decade, however, wholesale usage has declined slightly, while retail SMEs have shown only marginal gains. This pattern suggests limited perceived value, cost or complexity barriers, or a shift in SME priorities toward other digital investments.

In 2014, the average CRM adoption rate among wholesale businesses in the EU was 39%, declining slightly to 37% by 2023, while retail SMEs started with a lower baseline of 23%, rising to only 24% over the same period. In both sectors, CRM adoption varies widely across Europe, reflecting broader regional disparities. In wholesale, the Netherlands and Sweden lead, benefiting from strong B2B market integration and well-developed digital infrastructure. Similarly, in retail, the Netherlands and Slovenia rank highest, followed by Denmark and Lithuania. At the other end of the spectrum, Romania and Bulgaria show the lowest adoption rates in both sectors.

In contrast with the rapid uptake of other digital technologies, CRM use remains largely stagnant. Despite the recognised value of tracking and engaging customers across multiple touchpoints, and the potential of these tools to support hybrid strategies, few retailers have integrated them into their operations. While CRM adoption declined in wholesale, its higher baseline reflects greater reliance on relationship management in B2B transactions than in consumer-facing retail.

Figure 2.29. Wholesalers maintain relatively high CRM adoption levels despite minor drop

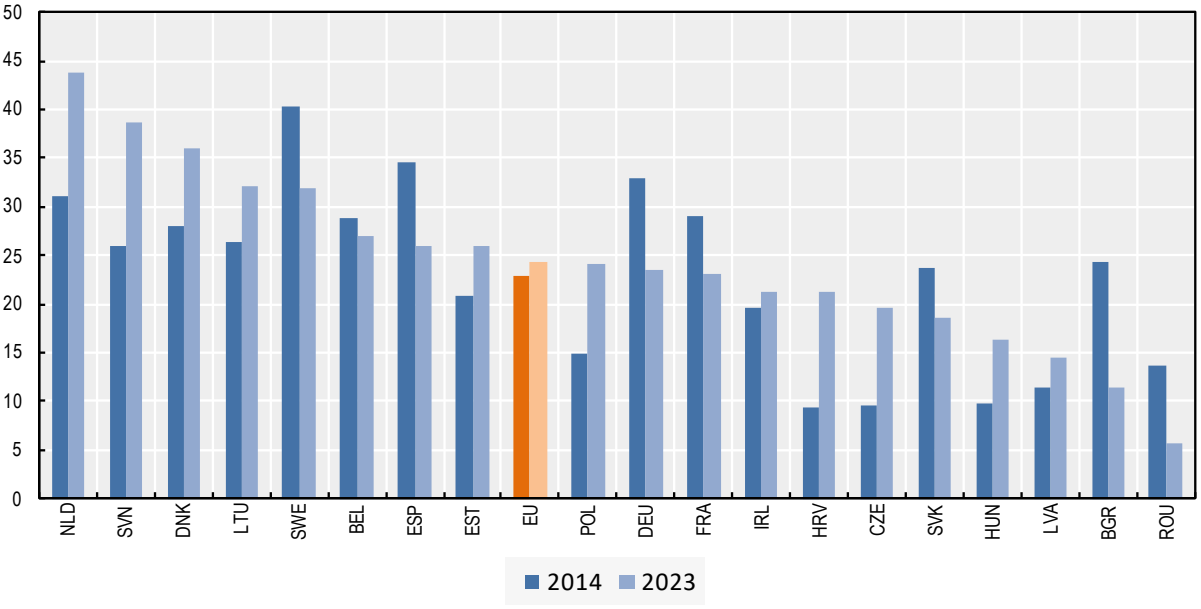
Wholesale businesses using CRM software as a percentage of all businesses (%), 2014 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.30. Retailers advance modestly in CRM adoption

Retail businesses using CRM software as a percentage of all businesses (%), 2014 and 2023



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Artificial Intelligence (AI)

In 2024, 13.5% of enterprises in the EU used artificial intelligence (AI), marking a notable increase from previous years (Eurostat, 2025[45])**.** However, adoption rates vary significantly by enterprise size, sector, and country. Large enterprises lead with an AI adoption rate of 41%, while medium-sized and small businesses report significantly lower figures at 21% and 11%, respectively. At the national level, Denmark, Sweden, and Belgium lead in AI adoption, while Romania, Poland, and Bulgaria lag behind.

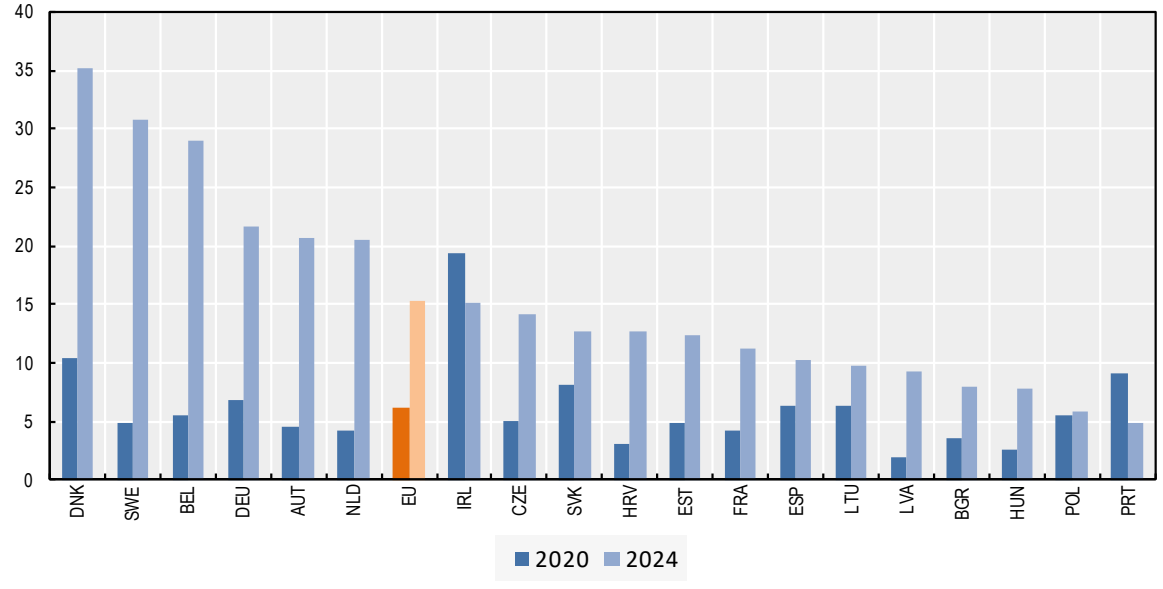
AI uptake is highest in technology-intensive industries, particularly *information and communication* (49%) and *professional, scientific, and technical services* (31%). *Construction* and *accommodation* report the lowest adoption levels, likely due to lower digitalisation rates and limited AI-driven use cases. Across all sectors, businesses primarily use AI for marketing and sales, business administration, and ICT security. The most commonly deployed AI technologies include text mining, natural language generation, and machine learning. In wholesale and retail, AI adoption is primarily driven by marketing and sales applications. The most commonly used AI technologies include workflow automation, decision support systems, and machine learning for data analysis, followed by text mining.

The wholesale and retail sectors have seen steady growth in AI adoption since 2020, when systematic tracking began across EU Member States. AI adoption accelerated sharply in 2024, with rates almost doubling in some markets – largely due to the commercialisation of Generative AI tools, particularly Large Language Models (LLMs), which are now widely accessible.

In wholesale, the average AI adoption rate rose from about 6% in 2020 to 15% in 2024, while retail recorded an increase from roughly 7% to 12% over the same period. AI adoption, however, remains uneven. By 2024, wholesale use exceeded 30% in Denmark and Sweden, while it stayed below 10% in Poland and Hungary. In retail, more than 30% of Dutch businesses reported using AI, contrasting with the low single-digit levels in Bulgaria and Latvia. Over this four-year period, Denmark and Sweden also recorded the largest growth in wholesale, with increases of more than 24 percentage points. The Netherlands and Slovenia led retail growth with gains over more than 20 percentage points.

Figure 2.31. AI adoption is rapidly surging among wholesalers

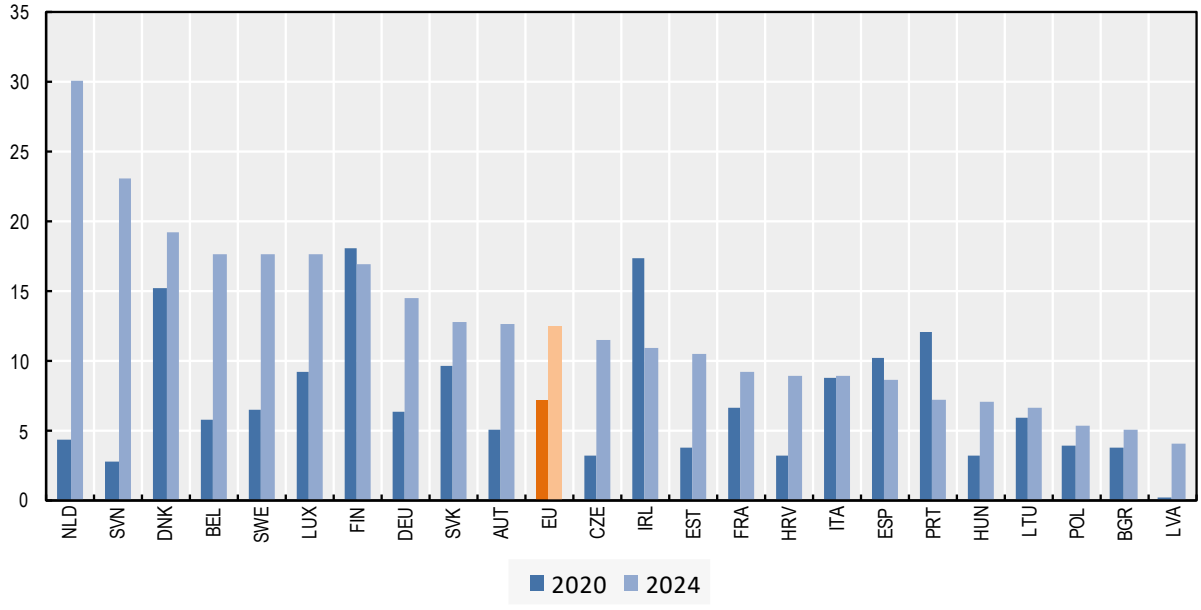
Wholesale businesses using AI as a percentage of total businesses (%), 2020 and 2024



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.32. The retail sector is seeing a notable increase in AI adoption

Retail businesses using AI as a percentage of total businesses (%), 2020 and 2024



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

ICT specialists

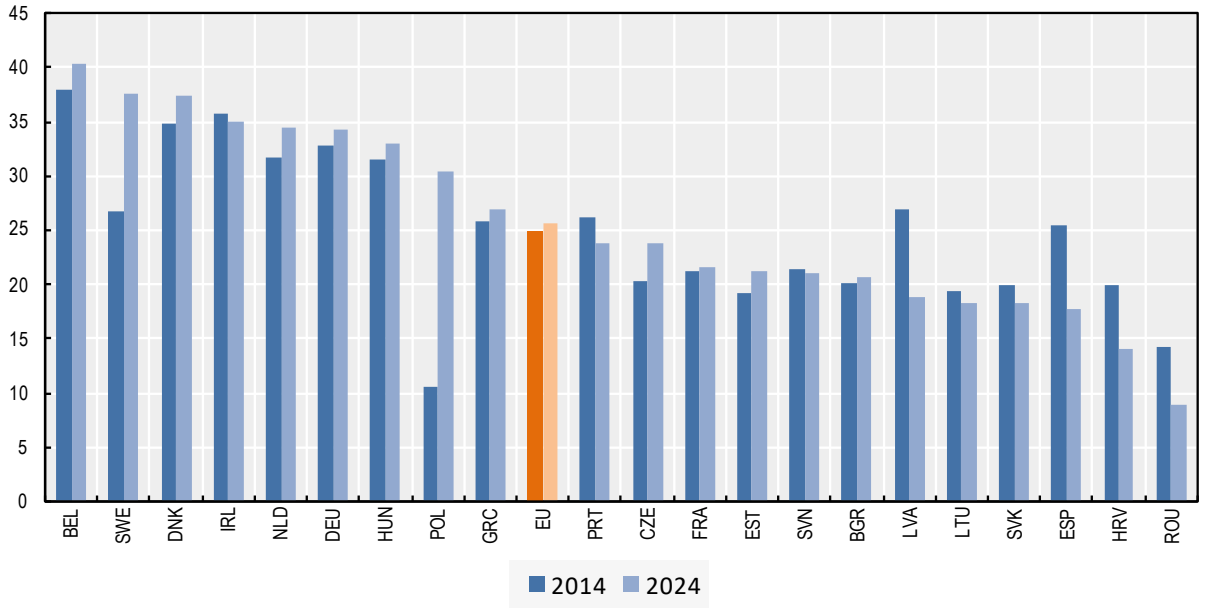
From 2014 to 2024, there was only a slight increase in the percentage of businesses reporting employing ICT specialists over the last three months, with the average figures hovering around 25% in wholesale and 15% in retail. In wholesale, notable increases are observed in countries like Poland and Sweden, indicating a strong push towards the digital transformation of the sector. However, some countries like Spain and Croatia show a decline, suggesting potential challenges in adopting ICT or shifts in business strategies.

The retail sector also shows mixed trends over this period, with some countries experiencing significant growth in this indicator while others see declines. The Netherlands, Hungary, and Poland show substantial increases, while Denmark and Ireland consolidated their progress on top of a high baseline level. In contrast, significant declines are observed in countries like Bulgaria, the Slovak Republic, Greece and Spain, implying the existence of challenges in maintaining ICT specialist employment.

Disparities across countries in ICT employment may reflect differences in organisational capabilities and strategic investments in human capital. Businesses with a higher number of ICT specialists are likely better positioned to innovate and adapt to market changes. Conversely, the decline in ICT specialists in some countries indicates competitive pressures that force firms to prioritise cost-cutting over ICT investment. It may also result from strategic shifts towards outsourcing.

Figure 2.33. Wholesalers experienced limited growth in ICT specialists roles

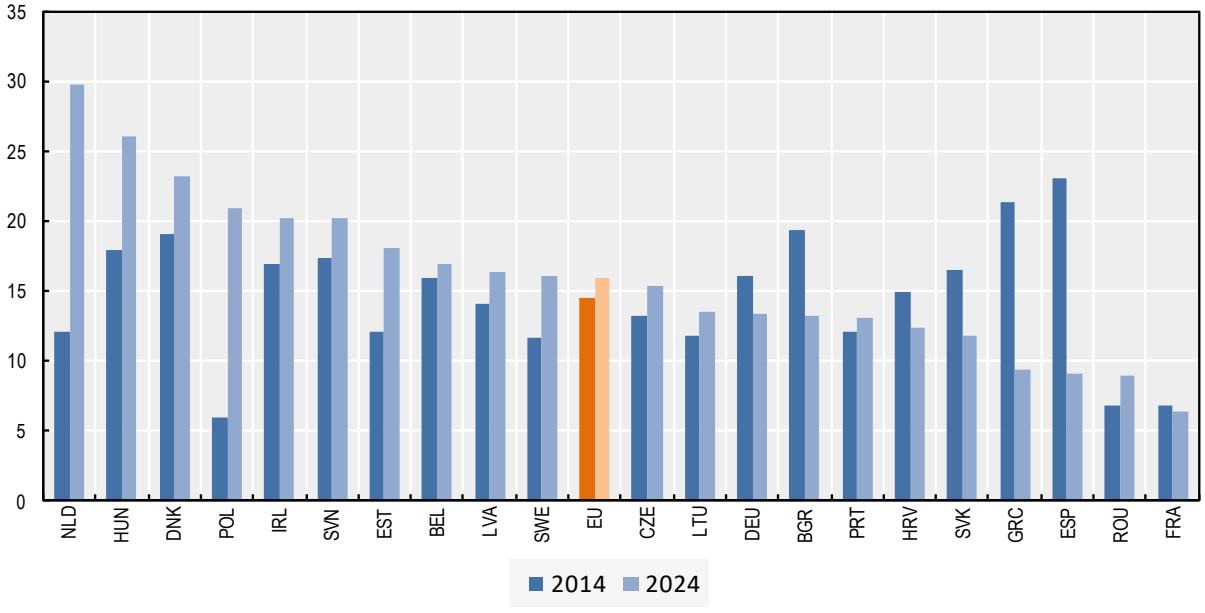
Wholesale businesses which employ ICT Specialists as a percentage of total businesses (%), 2014 and 2024



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.34. Retailers report a modest increase in the hiring of ICT specialists

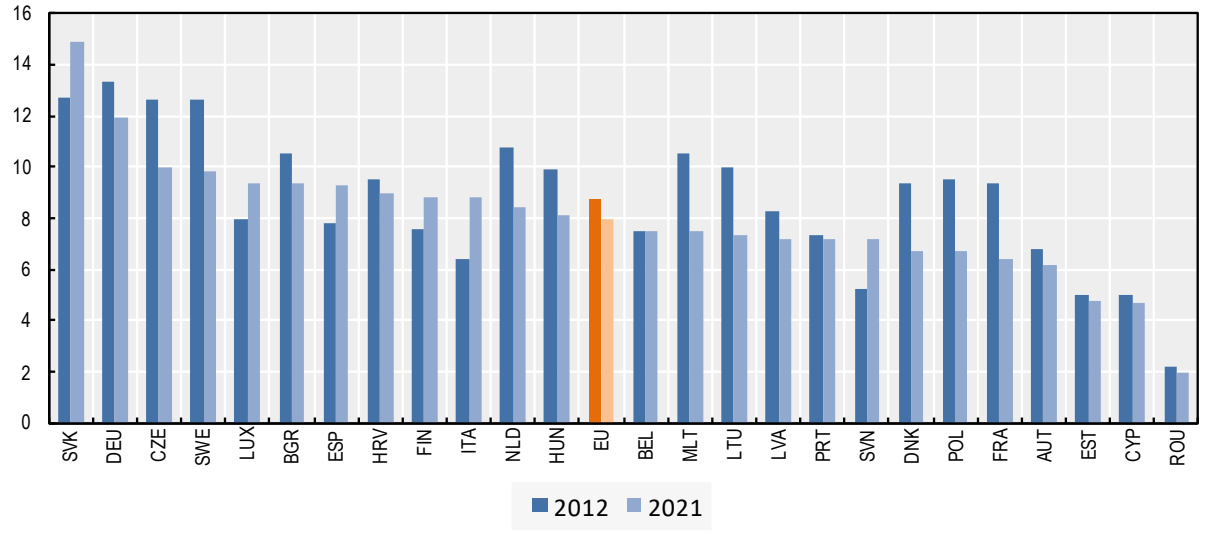
Retail businesses which employ ICT Specialists as a percentage of total businesses (%), 2014 and 2024



Note: Businesses with 10 or more employees. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD ICT Access and Usage by Businesses

Figure 2.35. Few wholesalers show robust growth rates

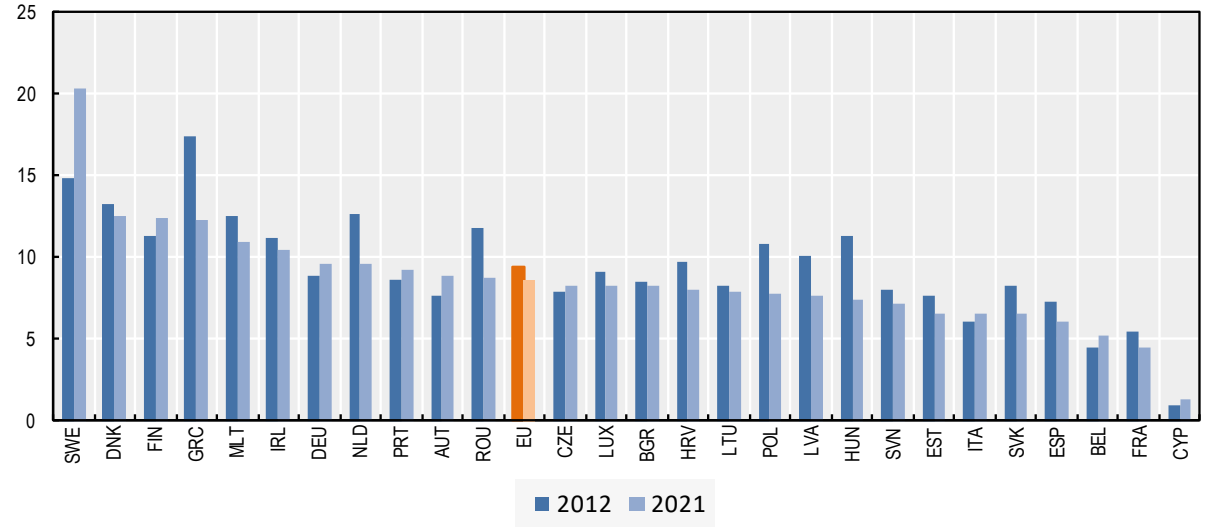
Rate of medium- and high-growth wholesale enterprises (%), 2012 and 2021



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: SDBS Business Demography Indicators

Figure 2.36. Only a small fraction of retailers achieve significant growth

Rate of medium- and high-growth retail enterprises (%), 2012 and 2021



Note: The "EU" value is an unweighted mean of the displayed countries.
Source: SDBS Business Demography Indicators

Environmental sustainability

Sustainability has become central to retail strategy and regulation over the last decade. This analysis uses data from the OECD Air Emissions Accounts and Physical Energy Flow Accounts (PEFA) to monitor the evolution in this area. The Air Emissions Accounts track emissions by the country of economic activity, while PEFA records industry-level energy use, measuring natural inputs, consumption, and residual outputs in terajoules (TJ), broken down by economic activity.

Retailers are major energy users (e.g. lighting and temperature control for stores), but most of their emissions fall into Scope 3, deriving mostly from procurement and use of sold products (McKinsey & Company, 2022[47]). In other words, such emissions continue after the sale takes place; on average, customers return up to 30% of products bought online (European Commission, 2025[46]). However, growing environmental awareness is driving change: recent surveys indicate that around half of European consumers consider health and environmental factors in their shopping choices (McKinsey & Company, 2024[48]), even if there might be issues with the information they are given (OECD, 2025[49]). In response, retailers are setting science-based targets to reduce carbon emissions, expanding their eco-friendly product offerings (such as organic foods, sustainably sourced textiles, and refillable household goods) and increasingly adopting circular economy practices, like take-back schemes.

Regulatory shifts at both the EU and national levels have accelerated retail's sustainability transition, though often presenting short-term compliance challenges. For instance, the Single-Use Plastics Directive, implemented in 2021, banned plastic cutlery, plates, and straws while requiring reductions in plastic food containers, prompting retailers to adopt alternative materials, including biodegradable, compostable, and reusable options (European Commission, 2025[50]). Similarly, the Waste Framework and Packaging Directives introduced stricter recycling obligations and packaging waste fees, pushing SMEs to reduce packaging or switch to recyclable materials to avoid high fees (European Commission, 2025[51]; European Commission, 2025[52]).

In addition to regulatory requirements, many large retail chains have set ambitious sustainability targets, such as carbon neutrality pledges and zero-deforestation supply chains (McKinsey & Company, 2022[47])**.** SMEs, though facing greater resource constraints, are also engaging in sustainability initiatives. At the EU level, the Code of Conduct for Responsible Food Business and Marketing Practices has driven commitments from retail associations and SME groups to reduce waste and promote sustainable consumer choices (European Commission, 2025[53]; OECD, 2025[9]). Moreover, sustainability is now understood as both an environmental (Vadakkepatt et al., 2021[54]) and social (Kim et al., 2024[55]) responsibility, with both large chains and independent retailers increasingly emphasising local sourcing and community support.

While regulatory changes and voluntary commitments have pushed retailers toward sustainability, external shocks have also played a role. The energy price spikes of 2021–2022 had a dual effect: the rising costs strained SME operations, but they also reinforced the urgency of improving energy efficiency and investing in renewables (OECD, 2022[56]). In response to rising energy cost, retailers can also respond with basic cost-saving measures such as switching off lights and ventilation systems during nighttime hours, reducing light intensity, staggering ice production, or lowering store temperatures.

Box 2.5. Indicators on environmental sustainability: Key takeaways

- Over the past 15 years, **CO_2 emissions** in the EU have declined in both wholesale (35 to 31 million tonnes) and retail (28 to 18 million tonnes), with retail showing a more consistent downward trend. When considering broader **GHG emissions**, wholesale emissions dropped from 44 to 37 million tonnes, while retail posted a steeper decline from 42 to 24 million tonnes, highlighting stronger decarbonisation progress in retail.
- **SMEs' share of emissions** is significant, but measurement gaps hinder accurate assessment across EU economies. Estimation in this report suggests that wholesale SME emissions remain consistently higher than those in retail, with emissions in both sectors peaking around 2017-2019 before stabilising at lower levels.
- Retail records more **net domestic energy use** than wholesale across the EU, likely driven by their reliance on physical stores, lighting, heating, and refrigeration. Wholesale energy use appears to be more variable, responding to economic and technological shifts.
- Differentiating between structural improvements and short-term fluctuations in energy use remains challenging, particularly in volatile economic contexts.

Production- and demand-based emissions

Emissions can be measured using two main approaches: production-based and demand-based. Production-based emissions account for all emissions generated within a country's borders, reflecting its energy mix, industrial processes, and technological efficiency. In contrast, demand-based emissions assign responsibility to the end-user by including emissions embedded in imported goods and excluding those from exports. This distinction is particularly relevant in a globalised economy, where production and consumption often occur in different locations. Countries that import energy-intensive goods may have a much higher demand-based footprint than their production-based emissions, while net exporters may show the opposite trend.

All sectors combined, in the EU-27, both production- and demand-based emissions have declined significantly over time. Production-based emissions fell from about 4.7 billion tonnes in 2006 to roughly 3.5 billion tonnes in 2020, while demand-based emissions dropped from approximately 5.6 to 4.0 billion tonnes over the same period. The consistently higher demand-based figures reflect the fact that these economies are net importers of emission-intensive goods. Despite sustained economic activity and high consumption levels, the data suggest a growing decoupling between economic growth and emissions, driven by improvements in energy efficiency and a shift toward less carbon-intensive sectors.

The distributive trades sector (G45-G47 combined) account for a higher share of total production- and demand-based emissions in the EU compared to the global average. Production-based emissions from the sector ranged from roughly 1.9% in 2006 to about 2.7% in 2020, while demand-based emissions typically accounted for between 1.6% and 2.5%. Globally, the sector's share is lower, at around 1.1%, a figure that has remained relatively stable over time.

Several factors help explain why the EU retail sector has a higher relative emissions share than the global average, although with country differences. In general, European economies tend to be more service-oriented than many emerging economies, where industrial and energy sectors dominate the emissions profile, leading to smaller shares for the retail sector. However, notable differences are observed within the EU itself: in countries like Denmark and Sweden, retail emissions are also low in absolute terms, likely reflecting factors such as high building energy efficiency and widespread use of low-carbon electricity.

Carbon dioxide (CO_2) and greenhouse gas (GHG) emissions

Between 2008 and 2023, CO_2 emissions in the EU have decreased in both wholesale (35 to 31 million tonnes) and retail (28 to 18 million tonnes), declining by about 11.4% and 35.7% respectively. Retail emissions declined fairly consistently, whereas wholesale emissions rose for part of the period before trending downward.

Considering the broader greenhouse gas (GHG) profile, wholesale emissions fell by about 15.9% (from approximately 44 million tonnes in 2008 to about 37 million tonnes in 2023), and retail emissions declined by about 42.9% (from around 42 million tonnes to roughly 24 million tonnes over the same period).[3] These trends suggest that decarbonisation in retail has been stronger, whereas progress in wholesale has proved comparatively more difficult.

Figure 2.37. Retail CO_2 falls faster than wholesale in the EU

Carbon dioxide emissions in the EU27, million tonnes

Note: Residence principle.
Source: OECD Air Emissions Accounts

Figure 2.38. Retail drives the GHG decline in the EU

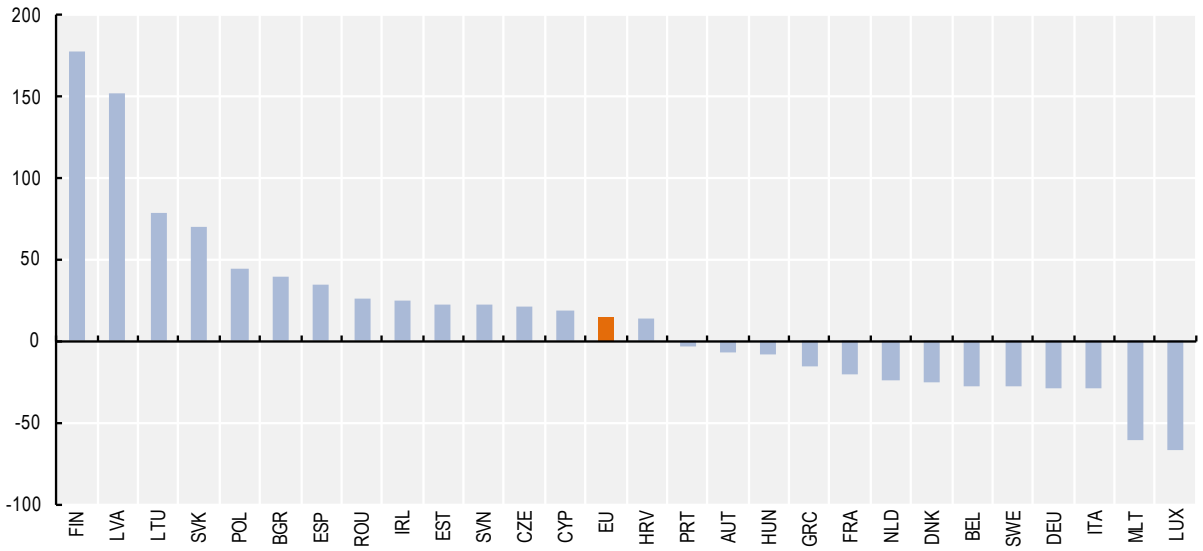
GHG emissions in the EU27, million tonnes

Note: Residence principle.
Source: OECD Air Emissions Accounts

At the national level, the relative changes in CO_2 emissions are consistent with the broader trends observed when analysing both carbon dioxide and overall greenhouse gas emissions. Countries such as Denmark and Sweden have experienced consistent declines in their retail emissions, reflecting robust decarbonisation policies and investments in cleaner energy infrastructure. Major economies like France, Germany, and Italy, despite their high absolute emission levels, also display gradual reductions in both carbon dioxide and broader GHG emissions, indicating steady progress in mitigating the environmental impacts of their retail operations. In contrast, markets such as Lithuania and Ireland exhibit rising wholesale and retail emissions across both datasets.

Figure 2.39. Wholesale CO_2 emissions in many countries experienced increases by 2023

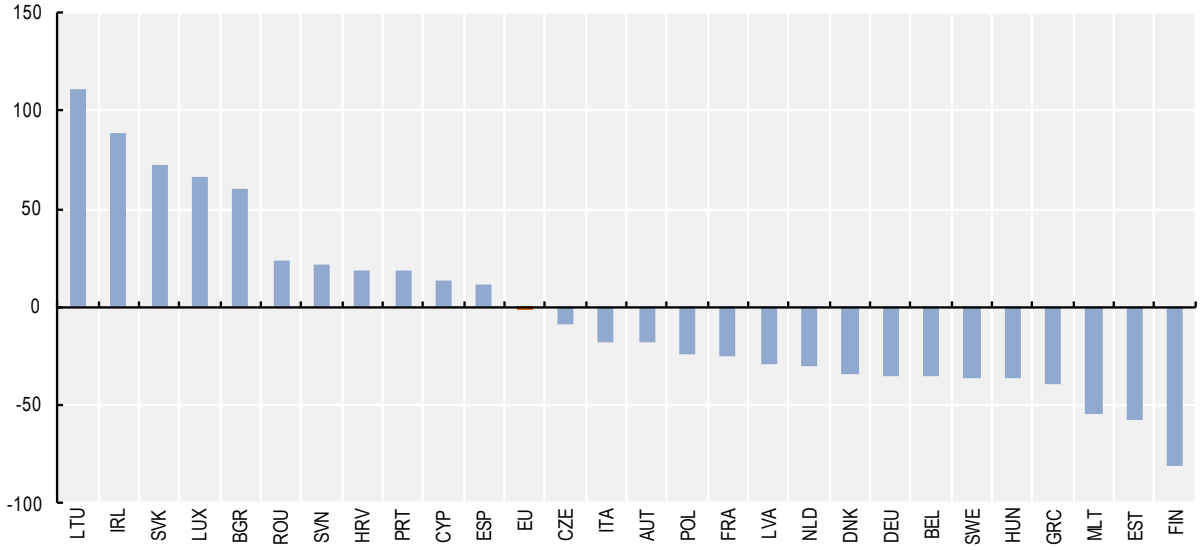
Percentage change in wholesale's carbon dioxide emissions (%) between 2013 and 2023



Note: Residence principle. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Air Emissions Accounts

Figure 2.40. Since 2013, the retail sector has exhibited a downward trend in CO_2 emissions in most EU countries

Percentage change in retail's carbon dioxide emissions (%) between 2013 and 2023



Note: Residence principle. The "EU" value is an unweighted mean of the displayed countries.
Source: OECD Air Emissions Accounts

SME share of carbon dioxide and GHG emissions

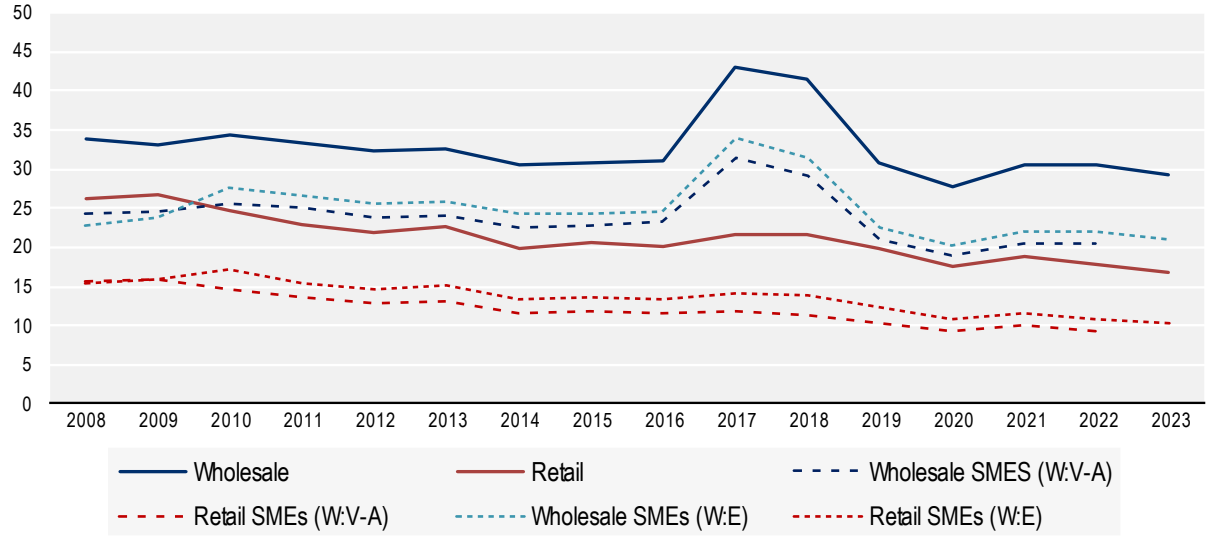
As governments work towards their climate objectives, monitoring emissions and energy consumption in the business sector, including SMEs, is essential. Due to their large presence in the economy, SMEs account for a significant share of such emissions, but reliable estimates remain limited. Previous studies suggest that SMEs could contribute around 64% of industrial pollution in Europe (OECD, 2021[57]), yet measurement gaps make it difficult to accurately calculate their environmental footprint in EU economies and elsewhere. Existing evidence originates mostly from case-specific studies or qualitative surveys. For example, Eurobarometer 498 found that 89% of EU SMEs reported having implemented at least one resource-efficiency measure (such as saving energy, minimising waste, or recycling), and 24% had a concrete strategy to reduce their carbon footprint or reach climate neutrality (European Commission, 2022[58]). While informative, such sources remain fragmented and not always comparable across business segments or over time, underscoring the need for more systematic data collection to design and evaluate targeted policies for SMEs' green transition.

Building on a previous OECD study (OECD, 2023[59])**, the analysis draws on Eurostat's air emissions database combined with output weights (SMEs' share of value-added and employment) at the two-digit sector level to estimate the share of emissions attributable to SMEs in both wholesale and retail.** The analysis focuses on 16 EU countries with reporting data throughout the study period.

Wholesale SME emissions remain higher than those in retail throughout the period, both for SMEs and the sector overall. Likewise, wholesale emissions (both overall and SME-specific) peak sharply around 2017-2019 before dropping. After the drop, SME emissions appear to stabilise at lower levels. The use of employment weights results in higher estimates of the environmental footprint of SMEs, which in part reflects the average lower productivity of SMEs compared to larger companies.

Figure 2.41. SME CO_2 emissions reflect broader sector trends

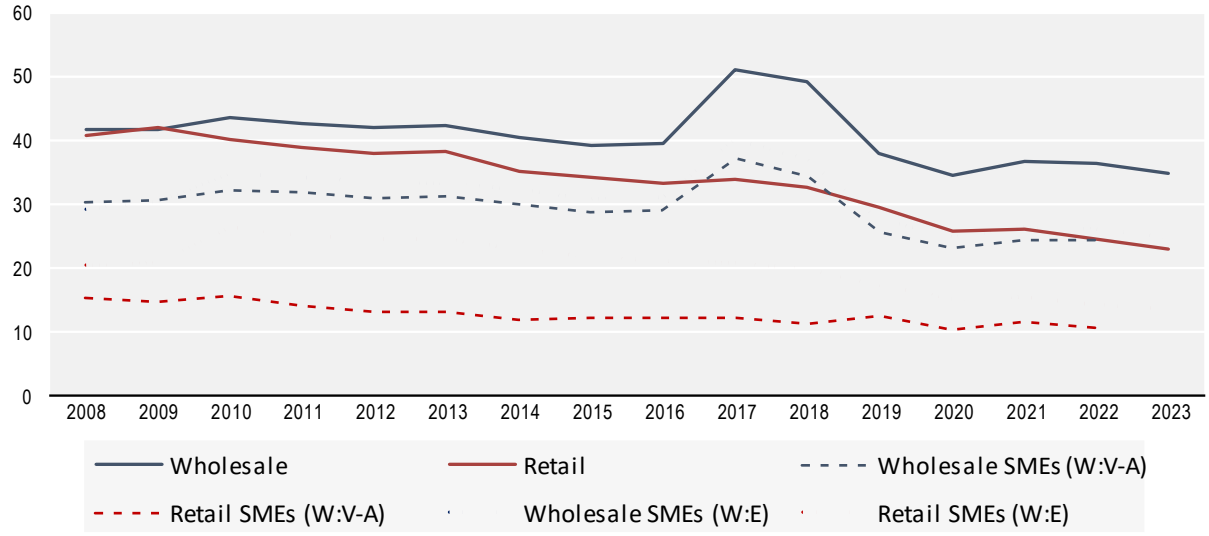
Estimated share of wholesale and retail SMEs' carbon dioxide emissions (2008-2023), million tonnes



Note: Only 16 countries for which there is consistent data across the whole period of analysis are considered (AUT, BEL, CZE, DNK, FIN, FRA, DEU, HUN, ITA, NLD, POL, PRT, ESP, SWE, BGR, ROU). SMEs' shares of value-added and employment are used as weights.
Source: OECD Air Emissions Accounts and OECD Structural Business Statistics

Figure 2.42. GHG emissions from SMEs align with sectoral trends

Estimated share of wholesale and retail SMEs' GHG emissions (2008-2023), million tonnes



Note: Only sixteen EU countries for which there is consistent reporting data across the whole period of analysis are considered (AUT, BEL, CZE, DNK, FIN, FRA, DEU, HUN, ITA, NLD, POL, PRT, ESP, SWE, BGR, ROU). SMEs' shares of value-added and employment are used as weights.
Source: OECD Air Emissions Accounts and OECD Structural Business Statistics

Net domestic energy use

Net domestic energy use serves as a key indicator of operational scale and energy efficiency, providing insights into the energy intensity and environmental footprint of various economic activities, including wholesale and retail. Concretely, it measures the amount of energy consumed by economic activities that is no longer available for further use, either because it is lost as dissipative heat or embedded in products. Thus, high energy consumption can signal large-scale commercial activity, but it may also indicate inefficiencies.

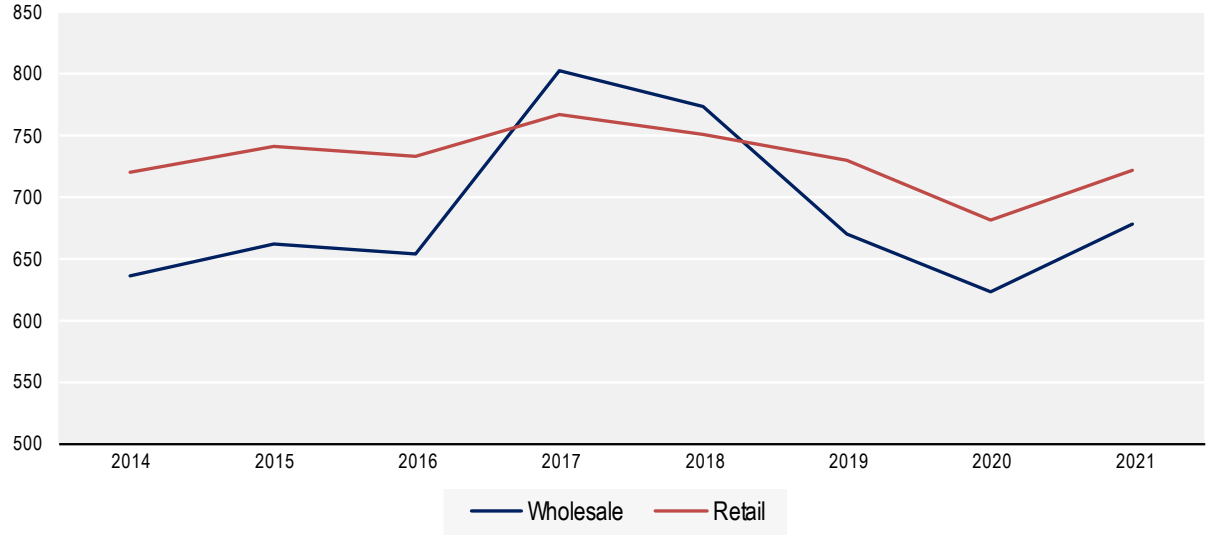
Across the EU, retail generally consumes more energy than wholesale, reflecting its higher reliance on physical stores, lighting, heating, and refrigeration. Wholesale energy use, on the other hand, exhibits greater variability, influenced by economic and technological shifts. Indeed, economic downturns and recoveries can significantly impact energy consumption, as seen in the fluctuations around 2020, when the COVID-19 pandemic temporarily reduced commercial activity.

At the country level, Germany, France, and Italy are among the highest energy consumers in both sectors, consistent with the large size of their economies. Belgium and the Netherlands also show high energy consumption, particularly in retail. Poland experienced a sharp increase in wholesale energy use between 2017 and 2018, a trend significant enough to visibly influence the EU aggregate.[4]

Countries with strong energy efficiency policies, such as Finland, have demonstrated declining trends in retail energy consumption. Large economies like Germany and Italy have also seen a gradual reduction in energy use across both sectors, suggesting the impact of technological improvements, shifts in business practices, and stricter regulations. However, distinguishing between genuine efficiency gains and short-term economic disruptions remains challenging. The sharp decline in energy consumption in 2020, followed by a partial rebound in 2021, underscores the need for policymakers to differentiate between structural improvements and temporary fluctuations driven by external shocks.

Figure 2.43. Retail generally consumes more energy than wholesale

Net domestic energy use in the EU27, thousand TeraJoules (TJ)



Note: Supply from domestic activities
Source: Physical Energy Flow Accounts (PEFA)

Conclusions

As traditional business models are transformed by the twin transition, the analysis reveals a complex mix of challenges and opportunities that are reshaping the competitive landscape for retailers and wholesalers of all sizes. This chapter provided an overview of the EU's retail ecosystem with particular attention to the role of SMEs in five different areas: economic performance, business dynamics, international trade, digitalisation, and environmental sustainability.

Findings indicate that although wholesale and retail SMEs remain central to the ecosystem, their relative shares of turnover, value added, and employment have gradually declined over time. Larger, digitally advanced firms are steadily capturing a greater portion of the market, compelling SMEs to adapt and innovate to remain competitive. While e-commerce has lowered traditional market barriers and expanded access to new customers, integration has been uneven. Large companies and major online platforms continue to dominate international transactions, limiting the competitive reach of smaller firms.

Digitalisation has emerged as a cornerstone of contemporary retail, radically reshaping business operations and market structures. The rapid and widespread adoption of digital tools is enabling many firms to modernise their processes and organisational practices. However, despite these advances, many SMEs face resource constraints and skill shortages, which hinder their ability to fully leverage digital innovations. This digital divide may exacerbate existing disparities between large and small market players.

On the environmental front, the retail sector has demonstrated notable progress in reducing emissions through improvements in energy efficiency and a shift towards less carbon-intensive operations. Production-based and demand-based emissions in the EU have declined, suggesting that green policies and business efforts are yielding tangible benefits. However, in the wholesale sector, the expansion of logistics and distribution activities has hindered consistent progress, with some countries recording increases over time. Although the overall emissions of the EU retail sector remain modest in national contexts, they exceed global averages, highlighting the unique challenges posed by retail operations that demand extensive energy for lighting, heating, and refrigeration.

The convergence of digital and green innovations offers a promising pathway to enhanced competitiveness. As the retail landscape continues to evolve, targeted policy measures will be vital in supporting SMEs to overcome resource limitations, bridge the digital divide, and adopt environmentally sustainable practices. Shifts in consumer preferences have an important role, and consumer protection remains of paramount importance as the synergies of the twin transition materialise (OECD, 2025[49]; OECD, 2025[9]). Coordinated policy efforts that simultaneously promote digitalisation and sustainability can strengthen SME resilience, foster innovation, and contribute to an inclusive digital and green transition.

Measuring web technology adoption in retail: Evidence from five EU countries

Data, scope and methodology

This section presents a descriptive and exploratory analysis of web technology adoption among 27 000 retail firms in five EU countries: Italy, Estonia, Hungary, Romania, and Spain. Digital technologies, such as websites or e-commerce platforms, are powerful tools to foster firm productivity, innovation, and growth, especially among SMEs (OECD, 2021[60]; Forman and van Zeebroeck, 2019[61]). However, large cross-country differences in firm adoption of digital technologies persist within the EU. The share of SMEs with basic digital intensity ranges between 41% in Greece and 90% in Finland (Eurostat, 2023[62]). While several studies have surveyed digital technology adoption in the whole economy, there are few studies that focus on the retail sector specifically. Addressing this knowledge gap, this section focuses on retail firms and the adoption of five specific digital technologies related to the Internet: (i) an original domain company website, (ii) electronic payment methods, (iii) multilingual webpages, (iv) e-commerce tools, and (v) shipping services. Box 2.6 provides further details on the dataset and methodology.

Box 2.6. Firm-level data on the presence of websites and web technologies used

Data sources and coverage

The analysis in this section combines firm-level variables from the Moody's/Bureau van Dijk Orbis database with website-level information from BuiltWith. The Orbis data cover over 70% of all retail firms with more than 10 employees in Estonia, Hungary, Italy, Romania, and Spain (around 27 700 firms in Orbis, compared to roughly 38 600 according to OECD Structural Business Statistics). These countries were selected for their high coverage in the 2023 wave of the Orbis dataset, which refers to the year 2021. The dataset comprises non-consolidated company accounts, meaning the observational units are legal entities rather than firms or establishments (Bajgar et al., 2020[63]). For ease of reference, however, we refer to these units as firms.

Among all observed retail firms, 30.3% (97 089 units, including micro-firms) report having a website. To gather information on web technologies, company websites recorded in Orbis were matched with data from BuiltWith, a website profiling service that tracks major web technologies in nearly 100% of active web domains (BuiltWith, 2025[64]). Firms with missing employment data (17.6% of the raw dataset) were excluded from the analysis.

Data cleaning and limitations

Some firm websites do not refer to original domains, but rather to free hosting providers or social media pages. For example, websites created through hosting services such as Google Sites or WordPress are not recorded as separate domains, but instead attributed to the main host address. In these cases, technology adoption is overestimated, as BuiltWith captures the full range of tools available on the host platform, not those actually purchased by the firm. A similar issue arises when firms report a social

media page as their website. Here too, BuiltWith identifies the technology of the social media platform rather than that of the firm itself. Overall, such mismeasured observations represent around 1% of the original dataset, including firms with fewer than 10 employees.

Free host providers were identified manually and validated through ChatGPT-4, leading to the exclusion of 0.6% of units in the original data (1.8 % of firms with a website). Social media pages were identified by detecting substrings such as “facebook”, “instagram”, “tiktok” and “pinterest” in the web domain. This step excluded a further 0.4% of units (1.2% of those with a website). The final dataset comprises 27 731 retail firms, of which 16 048 have an original domain website.

Scope of the analysis

From the full range of web technologies that BuiltWith tracks, the analysis in this section focuses on those most relevant to retail: multilingual website options, online shops (e-commerce), electronic payments and shipping technologies. Future research may expand to incorporate marketing and cyber security technologies.

Additionally, the analysis includes limited information on social media activity, but only where company websites link to such accounts. It excludes companies that have social media accounts without a website, or where such accounts are not linked from the website. It also excludes firms that sell only via online marketplaces without maintaining their own website (e.g. through Amazon, eBay or national marketplaces such as Subito in Italy).

A novel feature of this analysis is the approximate identification of firms affiliated with a retail group, based on website information in the Orbis data. The approach may capture a variety of business models, including franchise systems, cooperative groups and other forms of loose retail affiliation. As such, the report refers to these collectively as *group-affiliated* retailers. A firm is considered group-affiliated if it shares its website with (i) at least three other firms and together they employ at least 250 people, or (ii) at least nine other firms and together they employ at least 70 people. While this method only identifies those with a website and cannot distinguish between ownership models or governance structures, it offers an indicative view of retailers operating under a shared commercial identity. In the analysis sample, group-affiliated retailers account for 2.4% of units and 6.1% of total employment.

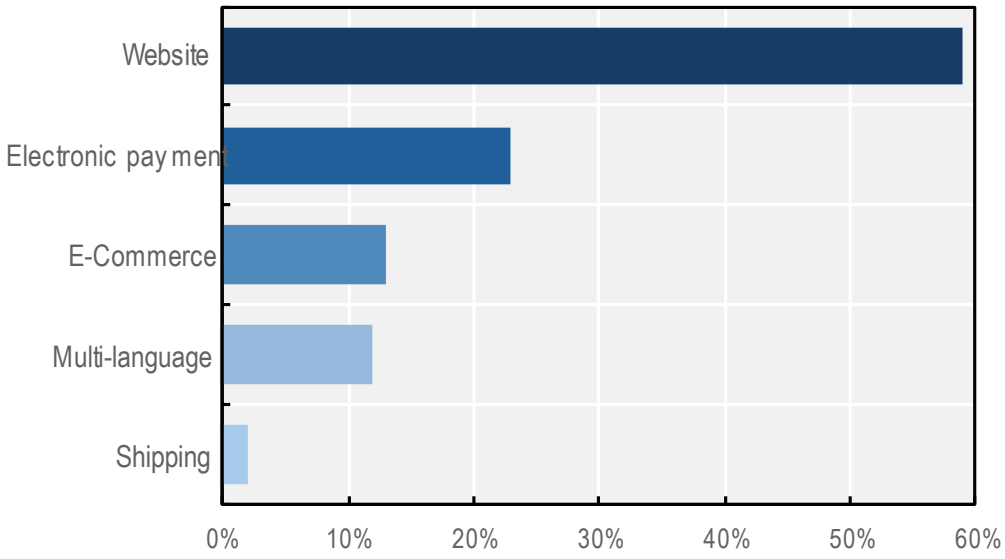
Results and discussion

Almost 60% of retail firms with at least 10 employees in the five countries have a website, but less than one in four uses any other web technology. While 59% of firms have a website, less than half of them offer electronic payment methods on their web page (23%) (Figure 2.44). The share of firms with a multilingual website and the share with an e-commerce technology are both between 12% and 13%, and less than 2% integrate common shipping and tracking technologies.

The general picture of web technology adoption masks large cross-country differences, especially for additional web technologies. For instance, in Estonia, over 70% of retail enterprises maintain a website. This is followed by Italy and Spain, where more than 60% of retail firms have an online presence. In contrast, fewer than 55% of retail businesses in Hungary have a website, while in Romania the figure stands at approximately 30%.[5]

Figure 2.44. The majority of retail firms has a website, but additional technologies are less common

Share of all observed retail firms by technology, 2025.

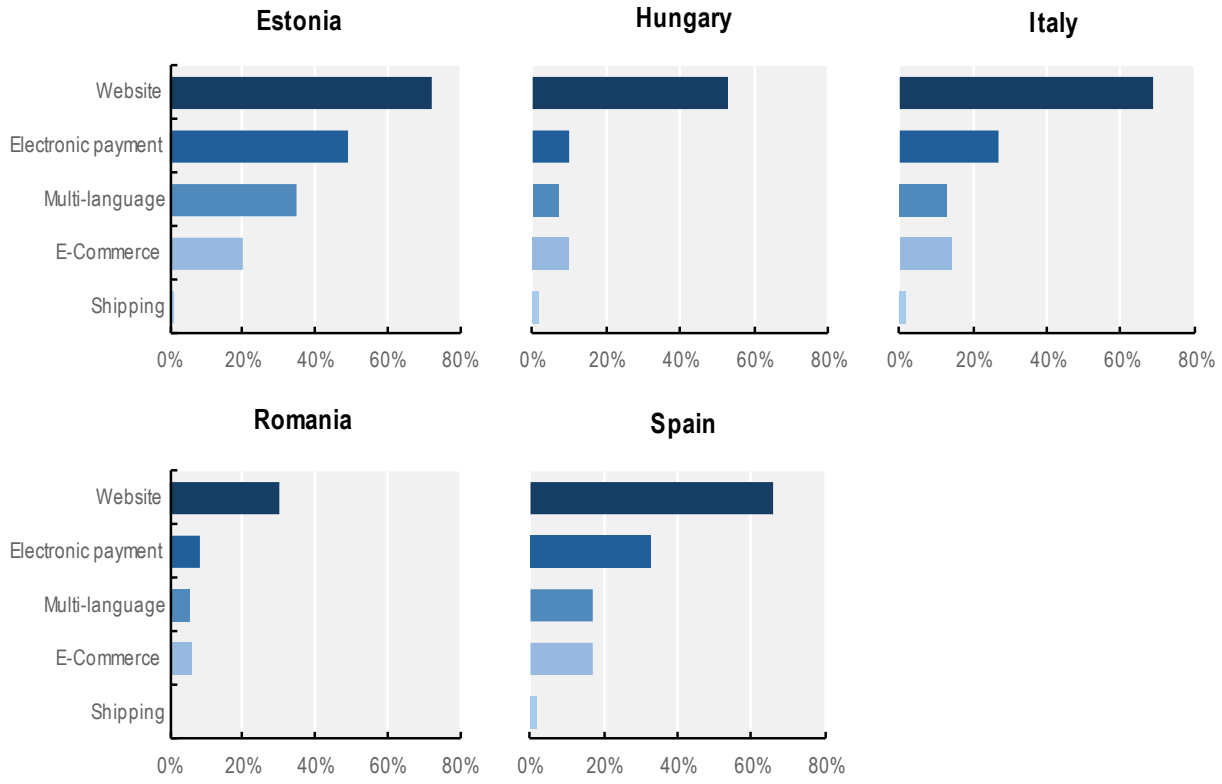


Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731.
Source: Based on Orbis and BuiltWith data.

The adoption rate of electronic payment is around six times higher in Estonia (49%) than in Romania and Hungary (8% and 9%, respectively) (Figure 2.45)**.** Estonia leads by a large margin in all digital technologies except shipping, followed by Spain and Italy. Many fewer retail firms in Romania and Hungary have adopted digital technologies. Cross-country differences are larger for electronic payment and multilingual websites than for e-commerce and shipping. In particular, adoption rates of shipping technologies are low for all countries in the sample. Website usage shows high rates above 50% in all countries, except Romania. Overall, the country breakdown confirms that additional web technologies complementing company websites are not frequent, except for Estonia.

Figure 2.45. Web technology adoption in retail remains uneven across EU countries

Share of all observed retail firms by technology in five EU countries, 2025.



Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands).
Source: Based on Orbis and BuiltWith data.

Website adoption increases with firm size, and the largest cross-country differences are among the small firms. Almost all large firms with at least 250 employees have an own website, with shares above 80% in all countries (Figure 2.46). On the contrary, medium-sized firms (50-249 employees) range between 54% in Romania and 92% in Estonia. For small firms (10-49 employees), the corresponding statistics are 27 and 57%. Among small firms, a more pronounced gap stands out between Romania and Estonia and the other ones. Italy exhibits the lowest differences between large and small firms in website adoption (23 percentage points).

Web technology usage is also dependent on size, but group-affiliated retailers often exhibit higher adoption rates than the even largest firms in several areas. These businesses lead the adoption rankings for most technologies and countries (Figure 2.47). As group-affiliated retailers benefit from the shared trademarks, platforms or business infrastructure, decisions on web technology adoption are likely made at the group level rather than by the individual firm. Exceptions include e-commerce in Estonia, multi-lingual websites in Hungary and Romania, and shipping in Italy and Spain. This pattern suggests that affiliation with a retail group provides access to shared resources that support the adoption and use of online tools.

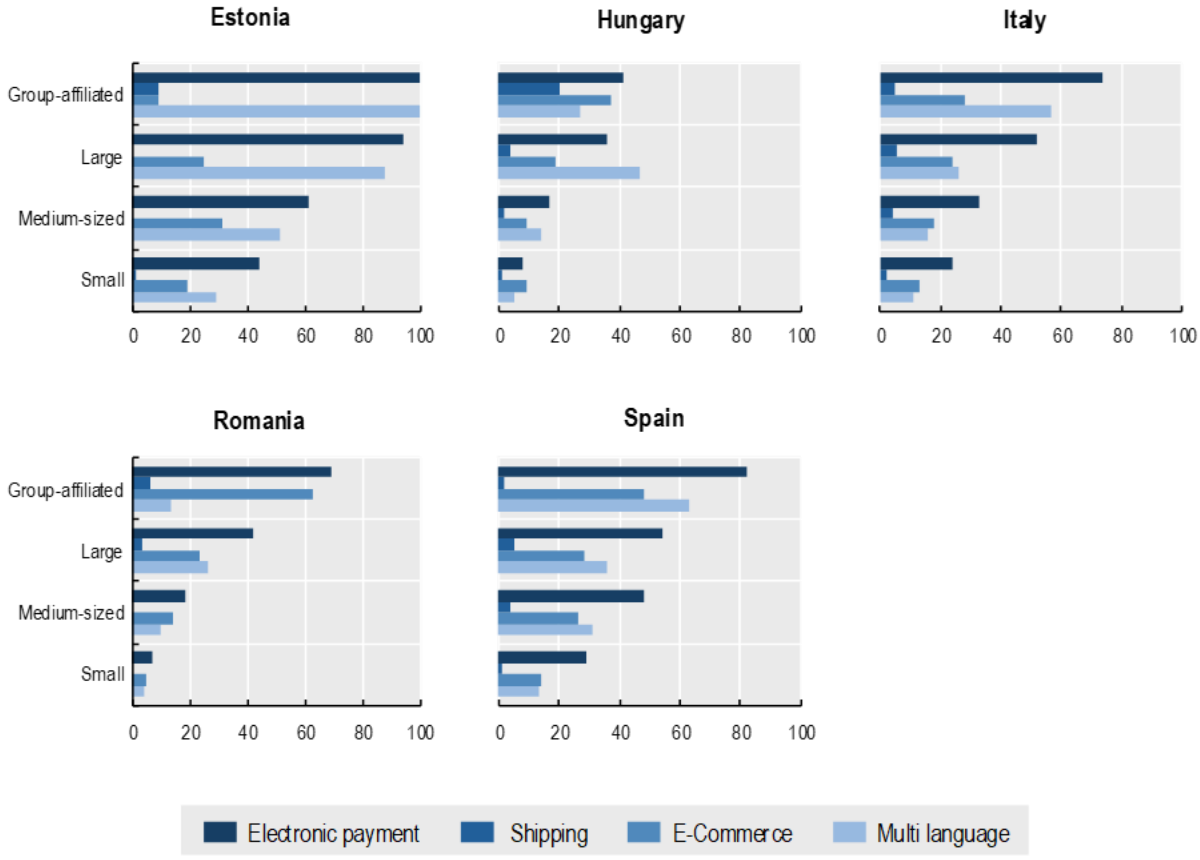
Figure 2.46. Website adoption is strongly driven by firm size

Share of observed retail firms with a website in five EU countries, by size, 2025.

Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands). Group-affiliated retailers are omitted from the graph, as they take a value of 100% by construction.
Source: Based on Orbis and BuiltWith data.

Figure 2.47. Group-affiliated retailers have the highest web technology adoption rates

Shares of observed retail firms by technology in five EU countries, by size, 2025.

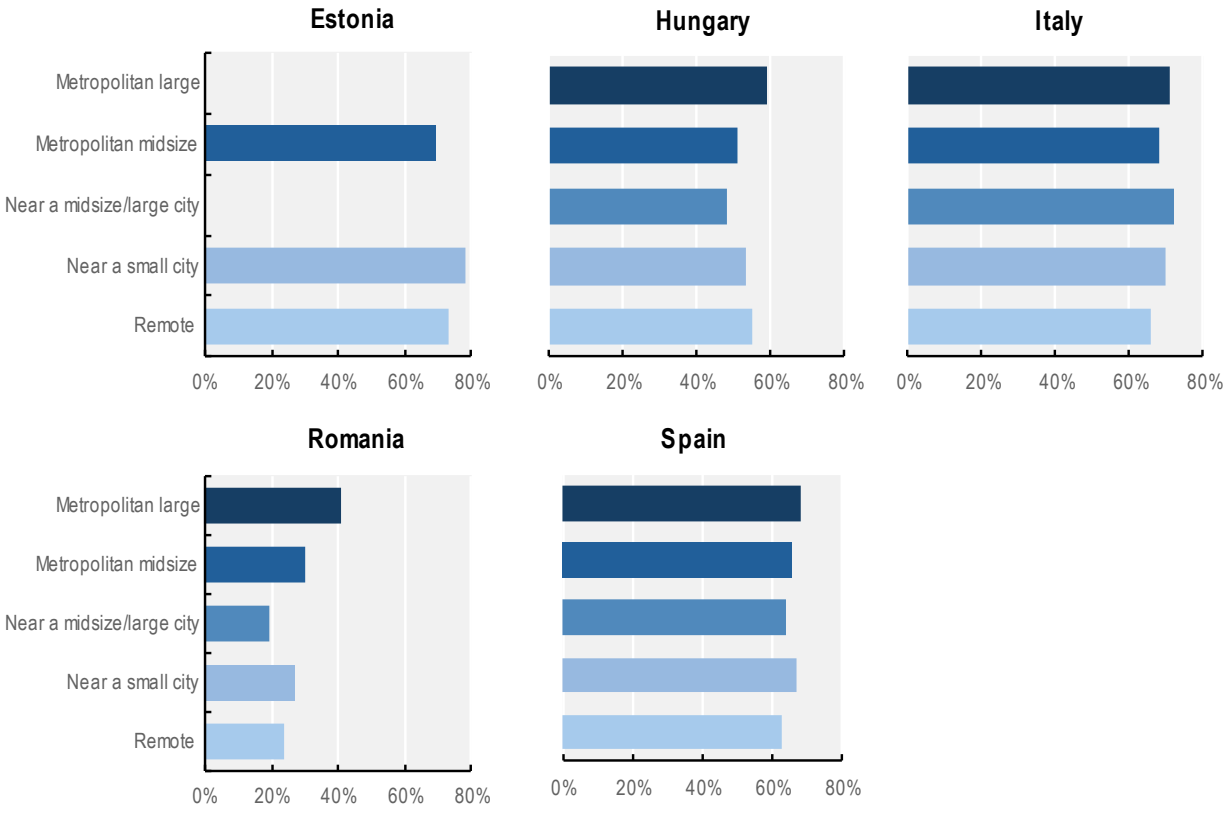


Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands).
Source: Based on Orbis and BuiltWith data.

Website and web technology adoption do not vary systematically between metropolitan and remote areas. In Estonia, Hungary, Italy and Spain, the share of firms with a website are similar across regional types. The share of firms with a website in remote regions is even slightly higher than in cities for Italy, Hungary and Estonia (see Figure 2.48). A clear increase in web technology adoption with urbanisation is visible only in Romania for the presence of a website and the web technologies and, for Spain among the web technologies, but not the share of websites. Multiple OECD countries still face persistent urban-rural divides in broadband infrastructure provision, a fact that may hinder the adoption of web technologies in rural regions (OECD, 2018[65]; OECD, 2024[66]). Furthermore, some country case studies have documented rural-urban gaps in web technology adoption (Thonipara et al., 2023[67]; Mazzoni, Pinelli and Riccaboni, 2024[68]). However, this pattern does not hold for all countries in this analysis. Urban-rural differences in adoption rates are statistically and economically significant for nearly all technologies in Spain and Romania, but smaller and statistically significant only in some cases for Italy, Hungary and Estonia.

Figure 2.48. Urban-rural differences in retail website adoption are generally small

Shares of observed retail firms with a website in five EU countries, by region type, 2025.

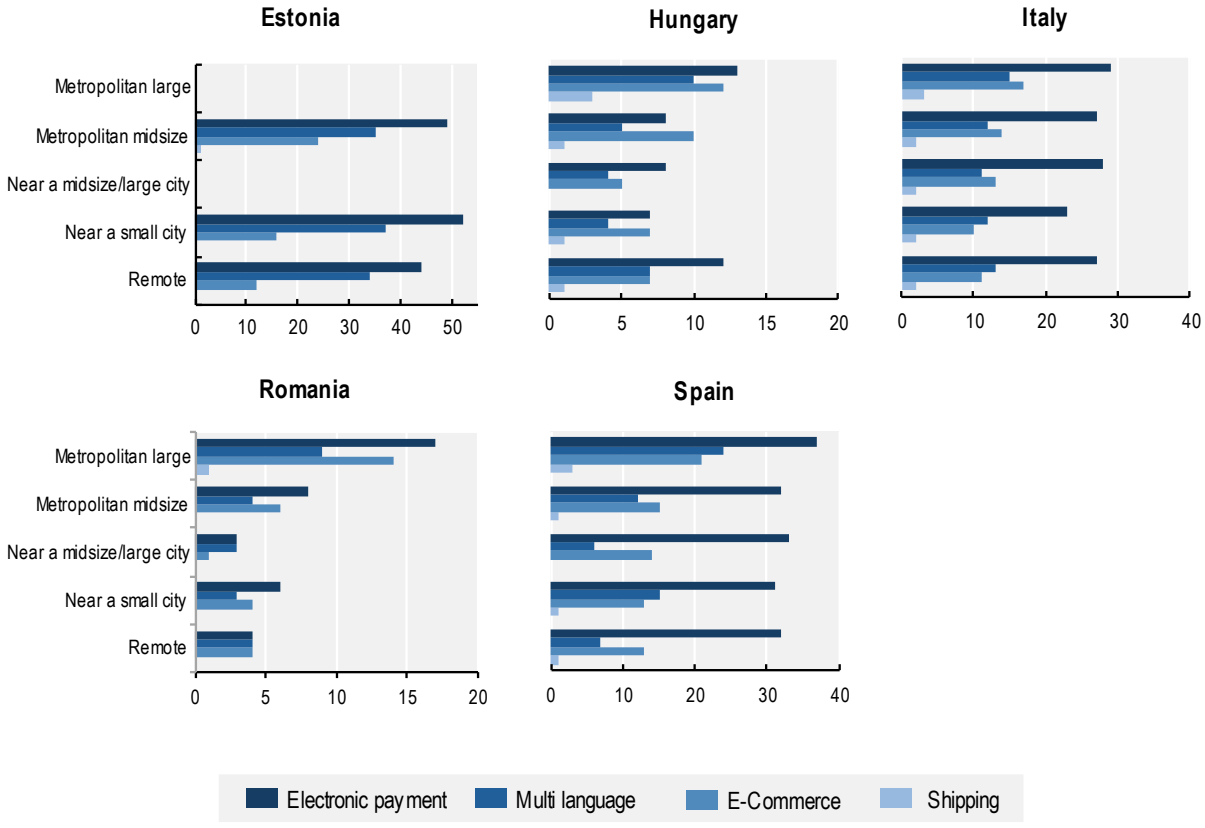


Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands). The regional classification follows Fadic et al. (2019[69]). None of the Estonian TL3 regions is classified as "Metropolitan large" or "Near a midsize/large city".
Source: Based on Orbis and BuiltWith data.

Technologies to facilitate multilingual websites are most frequently found in regions with minority population or otherwise have a recognised local language. Retail firms in regions such as Catalonia and the Basque Country in Spain, and Valle d'Aosta and Alto Adige/Südtirol in Italy stand out as having substantially higher adoption of technologies to facilitate multilingual presentation relative to other regions in their respective countries. Retail websites that include technologies to facilitate multilingual presentation potentially make it easier to service a European wide customer base by allowing a website to be represented in some of the most commonly used languages in the EU. However, multilingual retail websites are often also a reflection of local circumstances, and the need to service a local clientele in multiple languages rather than a tool to service an international customer base.

Figure 2.49. Regional gaps in the adoption of additional web technologies are limited but not absent

Shares of observed retail firms by technology in five EU countries, by region type, 2025.



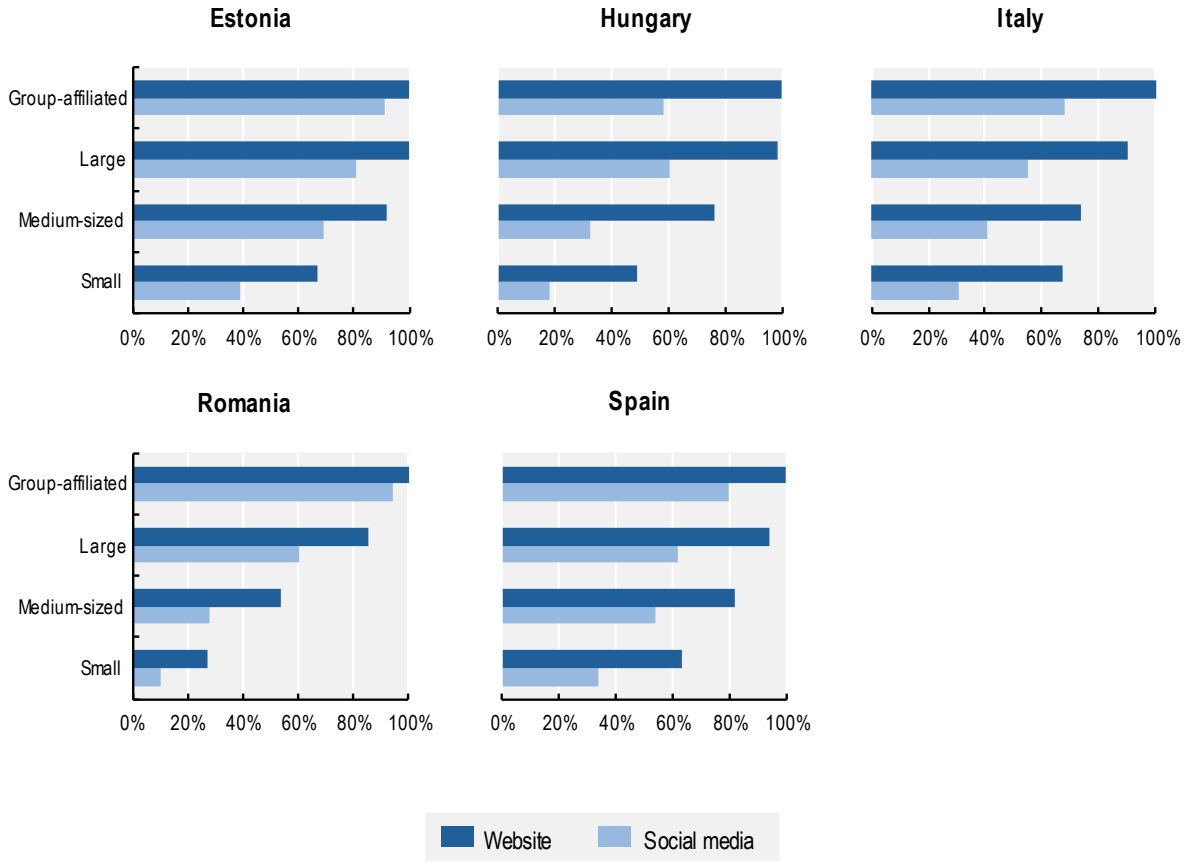
Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands). The regional classification follows Fadic et al. (2019[10]). None of the Estonian TL3 regions is classified as "Metropolitan large" or "Near a midsize/large city".
Source: Based on Orbis and BuiltWith data.

About half of retail firms with a website use social media channels, but usage is higher among larger firms and group-affiliated retailers. In all countries, the majority of firms with 250 or more employees have their own social media profile linked on their website, peaking at 81% in Estonia (see Figure 2.50). Conversely, medium-sized firms range between 27% and 69% across the five countries, while among small firms, the range interval is 10% to 38%. Once again, group-affiliated firms lead in technology adoption, with values consistently exceeding those of the largest independent firms.

Firms with a website show 20 to 40% higher labour productivity than other firms, and additional web technologies are associated with further productivity differences. The largest correlation is observed in Hungary, and the smallest in Italy (see Figure 2.51). The adoption of other web technologies is associated with an additional productivity advantage ranging from 2% in Spain (statistically insignificant) to 24% in Estonia. To rule out the influence of other productivity determinants, all estimates control for firm characteristics such as firm age and size class, as well as unobserved heterogeneity at the small region (TL3) level. These results are correlations and do not suggest a causal link between the web technology and productivity. Nevertheless, they highlight a performance difference between web technology adopters and non-adopters.

Figure 2.50. Social media use increases with firm size and group affiliation

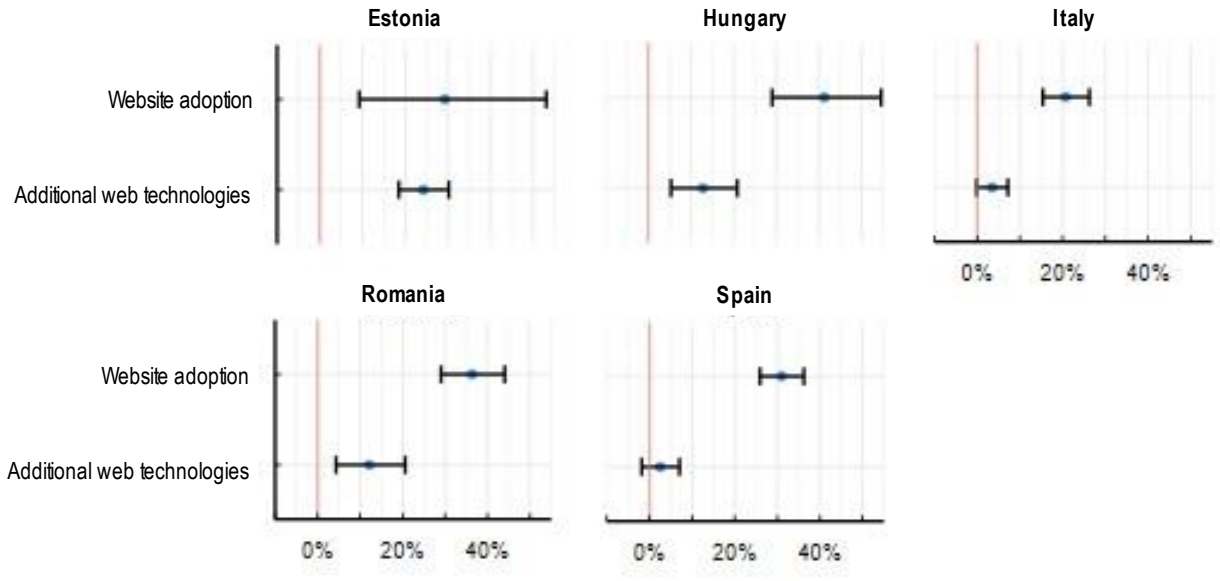
Shares of observed retail firms with a website and with at least one social media account in five EU countries, by size, 2025.



Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. The social media indicator equals 1 if a firm has at least one recorded social media account in the BuiltWith dataset (covered platfoms: Facebook, Instagram, Twitter, LinkedIn, YouTube, Pinterest, Weibo, TikTok, Vimeo). The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands). Shares exclude firms with a social media account but no website.
Source: Based on Orbis and BuiltWith data.

Figure 2.51. Firms with web technologies are more productive on average

OLS estimates of labour productivity differences in retail firms linked to website and web technology adoption



Note: Retail firms with more than 10 employees in Italy, Spain, Hungary, Estonia and Romania; N=27 731. OLS coefficients are from country-level regressions of log labour productivity (value added per worker, in purchasing power parity) on two web technology adoption indicators. 'Website adoption' equals 1 if a firm has a registered web page in the BuiltWith dataset, and 0 otherwise. ''Additional web technologies" equals 1 if a firm uses at least one of the following: electronic payment, multilingual website, e-commerce or shipping features, and 0 otherwise. The estimated effect of additional web technologies is therefore over and above the effect of having a website. Coefficients and standard errors from the log-linear regressions are expressed as percentage changes. All regressions control for firm size (50-249 and more than 250 employees), group-affiliation, and firm age (five years or older), and TL3 fixed effects. The dataset excludes the two Spanish insular regions (Balearic Islands and Canary Islands).
Source: Based on Orbis and BuiltWith data.

Empowering retail SMEs in the twin transition: EU policy experiences

Given the scale and pace of structural and demand-side pressures, and the intensifying requirements of the twin transition, co-ordinated action across levels of government is critical to enable SMEs to adapt and compete. This section reviews EU-wide and national policy instruments that support retail SMEs, focusing on measures targeting digitalisation, sustainability, or an integration of both.

Despite its economic weight and capacity to shape wider socio-economic outcomes, retail SMEs face persistent barriers to transformation, such as constrained finance, skills shortages, and regulatory complexity. Recent shocks, including rising energy costs, inflationary pressures, and weakening consumer demand, have tightened these constraints and dampened investment in digital and green capabilities.

Policy responses unfold across multiple levels of governance. At the EU level, institutions define overarching strategic priorities for the twin transition, set common regulatory frameworks, and mobilise large-scale funding. At the national level, governments adapt these priorities to their domestic contexts, co-finance, and deliver programmes tailored to the structure of their labour markets and business populations. Regional and local authorities also play a role; for instance, through place-based initiatives, cluster development, or municipal support schemes.

To address these challenges, policymakers at both the EU and national levels have introduced targeted measures to support SMEs in adapting to the digital and green transitions. While the EU sets policy priorities, provides funding, and establishes regulations, national governments play a critical role in designing, financing, and delivering tailored programmes that respond to their local needs and domestic conditions.

Most SME support schemes in Europe are designed on a cross-sectoral basis rather than targeted specifically to retail. Retail SMEs must therefore navigate instruments organised by firm size, investment type, or technological domain, rather than tailored to the distinctive needs of its industry. While this has the advantage of broad reach and administrative simplicity, it can also limit effectiveness for sectors such as retail where structural features – thin profit margins, reliance on part-time or temporary labour, and high exposure to consumer demand – pose distinctive challenges.

Against this backdrop, the analysis that follows reviews SME policies that, though not exclusive to retail, are particularly salient to its twin transition. The identification of national policies is guided by their potential to reshape how retail SMEs operate and to align business performance with digital and green objectives.

Overview of the EU policy and regulatory landscape

EU strategic framework

The EU's strategic framework supporting the twin transition of SMEs combines broad policy initiatives with targeted financial and technical assistance. This integrated approach is designed to align high-level EU priorities with practical, on-the-ground support, fostering synergies between regulatory objectives, funding instruments, and capacity-building initiatives.

The EU has an ambitious agenda, underpinned by clear targets for both the green and digital transition of its economy. To achieve these goals, the EU has set out specific strategies, including the *European Green Deal* in 2019, the *2030 Digital Compass ('the European way for the Digital Decade')* in 2021, and the Competitiveness Compass, unveiled in January 2025. At the heart of the *European Green Deal* is a pledge for Europe's economy and society to become climate-neutral by 2050, with an intermediate target of reducing greenhouse gases to 55% of their 1990 levels by 2030 (European Commission, 2019[70]). Similarly, in pursuing a more prosperous digital future, Europe's *Digital Decade* is set to guide its transformation with a mission for 80% of the population to have basic digital skills and more than 90% of SMEs with a basic level of digital intensity by 2030 (European Commission, 2021[71]). The Competitiveness Compass charts the course for EU action from 2025 to 2029, and is designed to tackle long-standing structural constraints and restore Europe's productivity, innovation, and global leadership, all while advancing the green and digital transitions within the Single Market (European Commission, 2025[72]).

In support of these ambitions, the Commission has placed SMEs at the centre of its transition strategy, recognising their critical role and unique constraints. Through the **EU SME Strategy for a sustainable and digital Europe** (European Commission, 2020[73]), the Commission is working to create a more business-friendly environment by reducing administrative burdens (via the SME Test and "Think Small First" principle), improving access to finance (through programmes like **InvestEU**), and enhancing SME readiness through tailored support. Key instruments include the **Enterprise Europe Network**, which provides dedicated **Sustainability Advisors**, and the rollout of **Digital Innovation Hubs** across EU regions to help SMEs adopt advanced technologies such as AI, cybersecurity, and data analytics.

The *Single Market Programme (SMP)*, launched in 2021 for the 2021-2027 period, seeks to improve market access, simplify regulatory compliance, and foster fair competition for SMEs (European Commission, 2025[74])**.** The SMP operates as a policy and regulatory framework, aiming to reduce

bureaucratic obstacles and harmonise rules across EU Member States. For retail SMEs, this can mean fewer legal and administrative hurdles when expanding cross-border, a more predictable regulatory environment, and access to EU-wide opportunities for digital and green innovation.

Complementing this, the SME Relief Package, adopted in 2023, proposes measures to address barriers such as late payments, complex tax systems, and fragmented procurement procedures (European Commission, 2023[75])**.** It includes a proposed Late Payment Regulation, a tax simplification directive, a reinforced role for the EU SME Envoy, and efforts to promote more standardised public procurement conditions across the EU. While intended to improve payment discipline and liquidity for suppliers, stakeholders have raised concerns about potential impacts on SMEs acting as buyers.

As part of its Industrial Strategy, the EU launched the Transition Pathway *for a more resilient, digital, and green retail ecosystem* in 2024 (European Commission, 2024[6]). The initiative represents a collaborative roadmap developed with stakeholders (business actors in the retail ecosystem, including large companies and SMEs, EU Member States' authorities at different levels, trade unions, representatives of consumers, civil society) to outline actions needed for digital and sustainable transformation by 2030. It recognises the importance of SMEs for the retail ecosystem and puts emphasis on the challenges and opportunities they face in adapting their business models to the rapidly evolving consumer preferences and market developments.

Navigating EU and national regulations in retail

Retail businesses, as service providers, operate within the boundaries defined by EU regulations, notably the Services Directive and Treaty provisions that guarantee freedom of establishment and the free provision of services. In addition, depending on their activity or retail segment, they are subject to a range of specific rules, including those related to digitalisation, sustainability, circularity, product design, distribution and consumer protection. These regulations present both opportunities and challenges for retail SMEs.

EU regulatory frameworks aim to ensure a well-functioning Single Market, harmonise rules across Member States, promote a level playing field and support broader objectives such as digitalisation, sustainability and consumer protection. These frameworks can facilitate cross-border trade and help ensure the provision of high-quality, safe products and services to consumers.

Yet the regulatory landscape in the EU remains complex, with numerous rules shaping retail operations. This complexity can place a disproportionate burden on smaller businesses, which often lack the resources and expertise to navigate multiple compliance requirements. As a result, retail SMEs may face higher operational costs and barriers to market entry, potentially limiting competition and innovation.

Differences in national enforcement further complicate regulatory compliance, as SMEs must navigate varying interpretations and implementation practices across EU Member States. Regulations – such as those on zoning, licensing, shop sizes, operating hours, promotional rules, sourcing restrictions and retail-specific taxes – can differ significantly between countries (European Commission, 2018[76]). This regulatory fragmentation increases compliance costs for SMEs and poses challenges for those seeking to expand across borders.

OECD Product Market Regulation (PMR) indicators show that retail remains one of the most heavily regulated sectors in the EU (OECD, 2025[22])**.** Significant barriers to competition persist across Member States, including establishment restrictions, administrative burdens, limits on shop opening hours and constraints on large-format stores. Successive waves of OECD PMR indicators for retail trade also reveal substantial cross-country variation in regulatory restrictiveness, reflecting a broad range of national regulatory approaches. Based on updated PMR data, the OECD estimates that aligning regulations in retail trade and professional services with those of the three least restrictive OECD countries could raise

labour productivity by around 2% on average, with even greater gains in the most heavily regulated economies (OECD, 2025[77]).

Drawing on the OECD PMR methodology, the European Commission developed the Retail Restrictiveness Indicator (RRI), a composite indicator based on scores for both establishment barriers (such as permits, size thresholds and zoning) and operational constraints (including opening hours, distribution channels, product sourcing and retail-specific taxes) (European Commission, 2025[78])**.** The 2022 update of the RRI confirms that retail remains one of the most restrictively regulated sectors in the EU, with many countries showing little or no improvement since the initial 2018 assessment. The indicator highlights substantial fragmentation, not only between countries but also within them, at regional and local levels. High RRI scores are associated with lower market dynamism, reduced productivity, higher consumer prices and fewer market entrants. However, the RRI does not assess whether restrictions are justified or proportionate; its purpose is solely to identify and quantify them.

In this context, the Commission is advancing a series of targeted reforms to reduce regulatory burdens at both EU and national levels. These efforts aim to promote a more coherent and business-friendly regulatory environment, with particular attention to the needs of SMEs. Key initiatives include the simplification of sustainability reporting requirements and due diligence obligations, where disproportionate compliance costs have been identified as barriers to market entry and innovation. In the digital domain, a new simplification package – comprising a "digital omnibus" to streamline rules on AI, cybersecurity and data, along with a proposed European Business Wallet – is expected to generate substantial cost savings (European Commission, 2025[79]). The Commission has committed to reducing administrative burdens by 25% by 2029, with a more ambitious 35% target for SMEs (European Commission, 2025[80]; OECD, 2024[81]). These reforms are supported by structured peer-learning among Member States to encourage the exchange of good practices and regulatory convergence.

Regulations shaping retail digitalisation and sustainability

The regulatory landscape shaping the retail sector at the EU level has evolved significantly in recent years, with new legislation targeting the twin transition, fair platform practices, and consumer protection. For retail SMEs, these frameworks offer both opportunities and compliance challenges. Some regulations affect core retail operations such as sourcing, product information, and supply chain governance, while others focus on platform governance, data use, and digital market access, which are especially relevant for online sellers.

The Platform-to-Business (P2B) Regulation was the first EU instrument explicitly designed to improve fairness and transparency for business users trading via online platforms (European Parliament and the Council of the European Union, 2019[82])**.** It introduced obligations on transparency of terms and conditions, disclosure of ranking parameters, and dispute resolution mechanisms. For SMEs relying on e-commerce marketplaces or app stores, these provisions have supported legal clarity and predictability, enabling fairer treatment and reducing exposure to abrupt changes in platform policies or algorithmic visibility. However, recent proposals to streamline the EU digital rulebook, notably through the Digital Omnibus package, would repeal or consolidate parts of this framework into newer platforms regulations (European Commission, 2025[83]).

The Digital Markets Act (DMA) complements the P2B Regulation by targeting a narrow set of large online "gatekeeper" platforms with significant market power (European Parliament and the Council of the European Union, 2022[84]). It prohibits anti-competitive practices such as self-preferencing, bundling, and the misuse of business users' data. Although SMEs are not subject to the DMA's obligations, they stand to benefit indirectly through fairer conditions for accessing digital infrastructure. In particular, the DMA promotes interoperability and data portability, making it easier for SMEs to engage with multiple platforms and avoid lock-in effects.

The Digital Services Act (DSA) provides a broader regulatory framework for digital platforms and services, focused on transparency, user protection, and the safe functioning of online marketplaces (European Parliament and the Council of the European Union, 2022[85])**.** For retailers, especially those operating through third-party platforms, the DSA introduces new obligations for traceability of traders and disclosure of key information to consumers. Importantly, the DSA adopts a proportionate approach to regulatory obligations, with micro and small enterprises subject to lighter requirements than larger players.

Complementing this framework, the Data Act introduces new rules on access to and use of data generated by connected products and related services, and includes protections against unfair contractual terms in certain business-to-business data-sharing arrangements (European Commission, 2025[86])**.** For retailers, it is particularly relevant in facilitating access to operational and usage data from connected devices and in reducing lock-in by easing the switching of data processing services. The Act also incorporates proportionality features to limit excessive burdens on smaller firms. In parallel, the General Data Protection Regulation (GDPR) shapes how retailers – especially those with online operations – handle personal data (European Commission, 2025[87]). In force since 2018, GDPR remains a core compliance obligation, particularly in relation to customer profiling, email marketing, and data security.

A growing concern for EU retailers is the rising volume of non-compliant products imported from third-country online sellers, particularly via large e-commerce platforms. The European Commission's recent Communication, *A comprehensive EU toolbox for safe and sustainable e-commerce*, highlights that imports from outside the EU increasingly pose risks to health and safety, are often environmentally unsustainable, and create unfair competition for compliant EU businesses, including SMEs (European Commission, 2025[88]). In 2024, approximately 4.6 billion low-value consignments entered the EU, with online purchases now accounting for over 97% of all customs declarations. To address these distortions, the Communication proposes a set of short- and medium-term measures, including the swift adoption of customs reforms to remove the EUR 150 duty exemption for low-value parcels, the possible introduction of a non-discriminatory handling fee on e-commerce imports, and a shift towards designating online marketplaces or intermediaries as the "deemed importer" responsible for providing data and collecting duties and VAT.

Looking ahead, the European Commission launched an open public consultation on the forthcoming Digital Fairness Act (DFA), which ran until October 2025 (European Commission, 2025[89])**.** The initiative aims to address harmful online practices, including manipulative interface design ("dark patterns"), influencer-driven misleading marketing, addictive design features and unfair practices of personalisation, notably where consumer vulnerabilities are exploited. For SMEs, the DFA could bring benefits by clarifying and streamlining the application of EU consumer protection rules in digital markets and by reducing fragmentation across Member States. A legislative proposal is planned for the fourth quarter of 2026.

In the area of sustainability, the Ecodesign for Sustainable Products Regulation (ESPR) marks a major shift in EU product policy (European Commission, 2024[90])**.** The ESPR introduces horizontal sustainability requirements that apply across product categories, covering durability, reparability, recyclability, and restrictions on the use of harmful substances. A key innovation is the introduction of the Digital Product Passport (DPP), which will store essential environmental and technical information and make it accessible throughout the supply chain. While manufacturers are primarily responsible for creating and filling the DPP, retailers placing products on the market under their own name assume the same obligations. For most retailers and wholesalers, the main implication is the requirement to access and use DPP information in sourcing and compliance processes, and to ensure that this information is properly passed on to customers.

The ESPR is part of a broader legislative package supporting the EU's circular economy goals, including the Packaging and Packaging Waste Regulation (PPWR) and revisions to the Waste Framework Directive (European Commission, 2025[52]). Adopted in early 2025, the PPWR imposes EU-wide rules on packaging recyclability, minimum recycled content and targets for reusable packaging, aiming for all packaging to be recyclable by 2030. It also introduces new obligations for retailers, including reducing packaging waste, using standardised formats and participating in extended producer responsibility schemes. In parallel, the revised Waste Framework Directive mandates separate collection (for example, textiles and biowaste) and reinforces the waste hierarchy of prevention, reuse, and recycling. These measures encourage business models based on refill, take-back, and repair services in retail.

Retailers are also affected by forthcoming sector-specific sustainability rules, particularly in textiles and transport. The Commission is preparing new regulations on textile labelling, which will require clearer disclosure of material composition, fibre origin, and environmental attributes. Additional measures will address microplastic pollution and transport packaging standards, aligning these with broader circularity objectives. While many of these proposals are still in development, they signal increasing scrutiny of product lifecycles and logistics, particularly in high-impact sectors like fashion, food, and electronics.

Beyond product and packaging legislation, the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) extend sustainability obligations to the corporate and supply-chain level (European Commission, 2025[91]; European Commission, 2025[92]). The CSRD, entering into application from 2024 onward, significantly broadens the scope of companies required to publish audited environmental, social, and governance (ESG) reports. While most SMEs are exempt, many will be indirectly affected as larger customers request sustainability data from their suppliers. A Commission simplification package introduced in 2025 proposes delaying obligations for smaller in-scope companies and raising employee thresholds to ease SME reporting burdens. Similarly, the CSDDD, adopted in 2024, requires large companies to identify and mitigate environmental and human rights risks in their operations and supply chains.[6]

Together, these legislative efforts reflect a comprehensive EU strategy to embed sustainability across the retail ecosystem, from product design and packaging to marketing and supply chain conduct. For large retailers, these frameworks can provide a clearer, more harmonised basis for sustainable operations. While it is different for wholesalers, for SMEs in retail, the picture is more nuanced. While new standards and traceability tools may open access to green markets and build consumer trust, they also impose compliance challenges, particularly in areas like data reporting, product sourcing, and regulatory interpretation.

Funding, infrastructure, and technical assistance for innovation and industrial transformation

Acknowledging the challenges SMEs may encounter in adapting to the digital and green transitions, the European Commission has mobilised substantial funding through 2027 across various programmes. While these initiatives do not exclusively target SMEs, they provide significant financial support for businesses to integrate digital and sustainable innovations and strengthen their competitiveness.

For SMEs engaged in research and innovation, *Horizon Europe* offers EUR 95.5 billion in funding for the period 2021-2027 (European Commission, 2025[93])**.** While this programme serves a wide range of beneficiaries, its European *Innovation Council* provides targeted support for SMEs through grants, equity investments, and tailored advisory services. Meanwhile, the *Innovation Fund*, funded by the EU Emissions Trading System (ETS), supports the commercialisation of innovative low-carbon technologies, with an estimated budget that could amount to about EUR 40 billion from 2020 to 2030 (European Commission, 2025[94]). SMEs working on energy-efficient logistics, sustainable packaging, waste reduction, and

resource-efficient supply chains could benefit from this fund, which helps de-risk green investments and make sustainability financially viable.

The *Connecting Europe Facility (CEF)* plays a crucial role in supporting the development of high-performing, sustainable, and interconnected trans-European networks in transport, energy, and digital services, helping retail SMEs streamline logistics, reduce costs, and operate more efficiently across EU markets (European Commission, 2025[95])**.** For instance, a retail SME relying on last-mile delivery might benefit from the deployment of smart mobility solutions (e.g. digital traffic management systems) and upgraded energy and digital infrastructure, like expanded charging stations for electric vehicles and high-speed broadband. These upgrades strengthen competitiveness, lower retailers' carbon footprints, and are especially valuable when paired with e-commerce, where last-mile delivery generates 40% of total emissions (European Commission, 2025[46]).Data from Green Postal Day 2025 shows that 32% of participating postal fleets are now alternative-fuel vehicles, of which 26% are electric, meaning that the sector met its 2030 electrification target five years early (International Post Corporation (IPC), 2025[96]).

Complementing the financing efforts, the European Commission implemented several initiatives emphasizing technical assistance to support SMEs in their digital and green transitions. Notably, the *Circular Economy for SMEs* (CESME) project, part of the *Interreg Europe programme* (2016–2020), aimed to assist SMEs in adopting circular economy principles by facilitating knowledge transfer, mentoring, and developing practical tools (Interreg Europe, 2020[97]). Similarly, the initiative *GreenSME* aims to help manufacturing SMEs integrate advanced technologies and social innovations for sustainability by providing assessment tools, action plans, and financial support to foster collaboration with sustainability and technology providers.

Public-private partnerships and institutional networks

Public-private partnerships (PPPs) play a pivotal role in mobilising resources, sharing risks, and fostering innovation. In particular, the European Investment Bank (EIB) Group, and the European Investment Fund (EIF) are key actors in this area. In collaboration with the European Commission, they launched the InvestEU SME Window, an integrated guarantee facility aimed at improving access to finance for high-risk SMEs or those lacking sufficient collateral (European Commission, 2025[98]). These instruments are designed to incentivise private sector lending, particularly for projects linked to sustainability and digitalisation.

Beyond direct financing, the EIB and the EIF play a central role in fostering bilateral and multilateral agreements that expand capital access for SMEs. The EIB Group collaborates with over 40 financial institutions – including private banks and national development banks – to provide financing solutions tailored to the green and digital transformation of SMEs. Concrete examples include the *EIF Guarantee Agreements* to boost SME sustainability in Bulgaria and the *Multi-Partnership Guarantee Agreement for Sustainable Investments* in Finland. Additionally, in Sweden, the EIF has committed EUR 30 million to a green-financing initiative aimed at helping SMEs reduce their environmental footprint. These partnerships aim to improve access to funding by smaller businesses, as to invest in innovation without facing prohibitive financial risks.

Private sector engagement is a vital component of the broader support ecosystem for SME competitiveness. Business associations, universities, and foundations often complement public efforts by providing sector-specific training, business mentoring, and targeted resources aligned with emerging business needs. For example, the Digital4Sustainability initiative, coordinated by the European DIGITAL SME Alliance, supports SMEs in building digital and sustainability skills to transition towards e-commerce, data-driven operations, and AI-enhanced logistics (Digital4Sustainability, 2025[99]). Similarly, Independent Retail Europe gathers and shares best practices for SME sustainability efforts, offering practical guidance for small retailers aiming to adopt greener business models (Independent Retail Europe, 2025[100]). These initiatives contribute to a more diversified and responsive ecosystem of support.

Large corporations can favour SME growth by integrating smaller businesses into supply chains, offering technological solutions, and providing training and logistical support. For instance, in 2022, Amazon reported investing over EUR 8 billion in logistics, services, tools, and training across Europe to help 125 000 EU-based SMEs expand their digital capabilities and access global markets (Amazon, 2023[101]). Google has aided SME digitalisation through tools like *Merchant Centre*, *Market Finder*, and *Grow with Google*, helping businesses list products online, expand into new markets, and improve digital skills (Google, 2025[102]). In France, Carrefour's 'zero kilometre' commitment fosters local alliances with small producers, offering simplified contracts, faster payment terms, and priority shelf placement to support cash flow and market access for sustainable, locally sourced products (Carrefour Group, 2020[103]). However, while such initiatives offer tangible benefits, they also raise concerns about SME dependency on dominant platforms and competitive imbalances.

Cross-national cooperation programmes

Cross-border cooperation can advance SME digitalisation and sustainability by expanding access to funding, advisory services, and innovation networks. While most of the cross-border and regional cooperation programmes within the EU are not retail-specific, they provide Member States with means for improving the capacities of SMEs at large. Notable cases are regional *Interreg* programmes, and initiatives led by the EIB and the EIF.

Several cross-national programmes blend financial and technical assistance to advance SME innovation. The *EIF-UniCredit Guarantees for the Twin Transition* and the *EIF-Komerční Banka Guarantee for Sustainability, Innovation, and Inclusive Growth* mobilise over EUR 1 billion in favourable financing for environmentally friendly equipment, digital infrastructure, and social entrepreneurship in Central and Eastern Europe. The *EIF-Lithuania's SME Bank Guarantee Agreement* directs EUR 37 million in loan guarantees to SMEs investing in sustainability, digitalisation, and innovation.

Green-focused programmes also combine preferential financing with capacity building to help SMEs reduce their environmental impact. The *EIB-Deutsche Leasing Green Transformation Agreement* supports low-carbon technology adoption in Bulgaria, Germany, and Hungary, while the *EBRD Green Initiatives Loan* provides EUR 60 million to Bulgaria's ProCredit Bank for renewable energy and energy efficiency projects in Bulgaria and Greece. Other targeted initiatives, such as the *EIB-ING Agreement to Boost SME Sustainability* in Belgium and Luxembourg, and the *EIB-SG Equipment Finance Guarantee for Climate-Relevant Investments* in Czechia and the Slovak Republic, offer dedicated financing for climate-relevant SME investments. Likewise, the *Interreg NEXT MED Green Transition Financing* programme provides EUR 83.7 million to support decarbonisation, climate-tech innovation, and resilient business models in the Mediterranean region.

Many cross-border cooperation programmes focus on capacity building, skills development, and knowledge exchange, with the aim to help SMEs adopt digital solutions, improve sustainability practices, and integrate innovation into their business models. The *SMEs Competitiveness* and *EmBRACE* programmes, operating in Croatia, Bosnia and Herzegovina, and Montenegro, support digital adoption and green pilot actions for SMEs. The *Twinnovation* initiative between Estonia and Latvia fosters joint innovation pilots and peer learning to accelerate SME digitalisation and sustainability efforts.

Some initiatives focus on enhancing SME digital competencies through training and mentoring. The *Building Competencies for Competitive Companies* (COM3) and *Futures by Design* (FBD) programmes, covering Belgium, Denmark, Germany, the Netherlands, Norway, Sweden, and the United Kingdom, provide consulting, knowledge-sharing, and e-learning resources. These programmes aim to help rural businesses and under-resourced SMEs improve digital readiness, adopt data-driven solutions, and foster innovation through customised training and cooperation with public authorities.

Some countries outside the EU provide assistance in selected Member States to foster SME transformation through digitalisation and sustainability initiatives. Norway is a notable case in point in this regard. The *Business Development, Innovation and SMEs Programme* in Bulgaria and the *Green ICT Programme* in Estonia, both funded by Innovation Norway, provide training and grants for green business development, sustainable supply chains, and digital marketing. Similarly, *Sustainable Business Futures: Green Skills and* Digital *Capacity for Small Businesses* in Greece, funded by International Development Norway AS, supports SMEs in e-commerce, circular economy, renewable energy, and sustainable supply chain management.

Complementary policies in a broader transformative ecosystem

The success of SME-focused interventions depends not only on direct financial and technical support but also on complementary policies and regulations that shape the business environment, labour market conditions, and the physical spaces where retail activity occurs. Urban policy, competition and consumer protection policy, and horizontal, cross-sectoral policies all play a crucial role in determining whether retail SMEs can thrive in an evolving economic landscape. Aligning these broader policy dimensions is essential to fostering SMEs' long-term resilience and competitiveness.

Urban revitalisation is a key component of this ecosystem-based approach (see Chapter 4). The vibrancy of retail environments is also determined by the quality of urban infrastructure, accessibility, and commercial space availability. Well-designed policies that enhance foot traffic, public transport, green spaces, and mixed-use urban planning contribute to thriving retail districts, benefiting both businesses and consumers. Effective revitalisation requires multi-level coordination, ensuring that local, regional, and national policies are mutually reinforcing. A relevant initiative in this area is the "European Capitals of Small Retail", passed in 2023 by the European Parliament and under implementation by the European Commission, which encourages local governments to adopt best practices in urban retail development through recognition and peer learning (European Commission, 2024[104]).

Competition and consumer protection are pillars of a well-functioning retail ecosystem. One key area of concern is Territorial Supply Constraints (TSCs), practices by large manufacturers that limit cross-border wholesale supplies, often by segmenting national markets or restricting access to certain products or pricing (European Commission, 2020[105]). While these constraints primarily affect larger retail chains, they can also impact SMEs, particularly when they operate in cross-border regions or depend on upstream distribution networks dominated by exclusive agreements. Recognising the market distortion caused by TSCs, the European Commission's new Single Market Strategy, adopted in May 2025, identifies TSCs as one of the "ten most harmful barriers" to the functioning of the Single Market and announced targeted enforcement and regulatory action to address them (European Commission, 2025[36]).

On the consumer side, initiatives such as the New Deal for Consumers (European Commission, 2018[106]) **and the Consumer Protection Cooperation (CPC) Regulation** (European Commission, 2024[107]) **aim to build trust in online retail and improve enforcement against unfair commercial practices.** These frameworks are particularly relevant for SMEs operating in digital markets, where maintaining credibility and legal certainty is crucial. Their ability to level the playing field will depend on robust and coordinated enforcement across Member States, ensuring that consumer protection rules are applied consistently and transparently regardless of company size or location.

Pro-competitive regulatory reforms at the national level can also play a role in improving business conditions for retail SMEs. In Italy, the liberalisation of retail opening hours in the 2010s gave SMEs greater flexibility to open on Sundays and evenings, expanding consumer access to local businesses (Belhocine and Garcia-Macia, 2020[108]; Rizzica, Roma and Rovigatti, 2020[109]). In France, the "silence is consent" principle was introduced for certain administrative procedures, meaning that if public authorities do not respond within a legal deadline, approval is granted by default. This reduces uncertainty and delays for business registration, store renovation, and service permits. In Portugal, the simplified urban licensing

system established one-stop shop portals, allowing entrepreneurs to complete regulatory procedures online, thereby reducing administrative burdens and accelerating business creation.

Improving framework conditions, such as insolvency regimes and payment practices, and complementing them with broader innovation instruments can also facilitate SMEs' twin transition. For instance, in Belgium, its *SME Policy* seeks to ease access to finance by harmonising insolvency legislation and introducing revisions to its Late Payment Directive. Malta's *SME Fund (EUIPO)* reimburses up to 75% of cost for trademarks and patent filing. Luxembourg's *Aide à l'innovation en faveur des PME* also supports patenting and provides advisory and innovation services. Latvia's Innovation Voucher Support Instrument structures its support by financing R&D collaborations with research organisations.

Energy policy is another key area of complementary action, as achieving sustainability goals requires both financial incentives and robust regulatory frameworks. The EU Energy Efficiency Directive (EED) and Renewable Energy Directive (RED) establish binding targets that encourage energy savings and renewable adoption, while national-level initiatives provide subsidized energy audits, incentives for energy-efficient equipment, and financing for self-generation solutions (e.g., solar panels). The revised EED sets a binding 11.7% energy reduction target by 2030 (European Commission, 2023[110]), while the RED raises the EU's renewable energy target to a minimum of 42.5% for the same year (European Commission, 2023[111]). By linking regulatory measures with funding programmes, SMEs in the retail sector can enhance energy security and cost efficiency, making sustainability a more economically viable transition.

Finally, strengthening retail SMEs also requires investment in connected industries. Small retailers are deeply intertwined with logistics, tourism, manufacturing, hospitality, creative sectors, and agri-food industries. Growth and innovation in one sector can unlock opportunities in others, making cross-sectoral synergies a crucial policy consideration. Targeted industrial policies, improved logistics infrastructure, and sustainable supply chain investments can enhance SME competitiveness and resilience by reducing operational costs, increasing efficiency, and expanding market opportunities.

Targeted EU funding mechanisms

EU funding programmes for the 2021-2027 cycle are organised around six pillars designed to advance regional development, innovation and social cohesion in the EU, but also contribute to its relationship with the international community on key issues like migration, security, and international cooperation. Three of the pillars (Single Market, Innovation, and Digital; Cohesion and Values; and Natural Resources & Environment) underpin the EU's commitment to driving the green and digital transitions offering a comprehensive framework that includes financial and technical assistance for SMEs.

National Recovery and Resilience Plans (NRRPs)

In partnership with the European Commission, all EU Member States have adopted a National Recovery and Resilience Plan (NRRP) with earmarked contributions to support climate objectives (37% of the budget) and digitalisation (20%). Support for SMEs is a key feature across these plans designed to stimulate post-pandemic economic recovery and accelerate the twin green and digital transitions.

National recovery and resilience initiatives, such as *France Relance*, or Italy's *Transition 4.0*, are comprehensive policy frameworks. Their primary focus extends beyond SMEs and the retail sector. These programmes aim to foster economic resilience, environmental sustainability, and technological advancement across entire economies, with retail SMEs benefiting directly or indirectly through broader measures like digital infrastructure investments, energy efficiency incentives, and workforce upskilling. For example, Latvia's and Romania's post-Covid National Recovery and Resilience Plans encompass SME-

specific clauses, allocating ~ EUR 597 million and ~ EUR 125 million, respectively. More targeted SME initiatives often operate within or alongside these frameworks.

Remarkably, a considerable share of the initiatives mapped in this analysis have been financed over the NRRP. Under the EU's long-term budget coupled with *NextGenerationEU*, the largest stimulus package in Europe's history, over EUR 2 trillion have been made available to finance policies to boost Europe's economic recovery, including a series of programmes in support of the twin transition of SMEs. Despite the higher percentage of resources earmarked for climate objectives under NRRPs, most programmes supporting the twin transition of retail SMEs prioritise digitalisation. Many countries have developed comprehensive initiatives to facilitate this transformation, offering consulting services, financial aid, and direct grants to enhance SMEs' digital capacity.

European countries have pursued a range of approaches to accelerate SME digitalisation, combining financial investment with targeted support programmes. These funds enable SMEs to introduce new digital technology systems, set up e-commerce platforms, strengthen cybersecurity, and cover installation and training costs, ultimately improving efficiency, productivity, and competitiveness. For example, Estonia anticipated that EUR 58 million would be invested to provide financial support for the digitalisation of 230 SMEs by 2026, and Belgium announced EUR 80 million in cyber resilience and security for SMEs. Austria's *KMU.DIGITAL*, Denmark's *SMV:Grøn*, and Portugal's *Coaching 4.0 (Supporting Business Models for Digital* Transition*)* provide tailored support for SMEs, helping them improve IT security, develop digital business strategies, and enhance customer experiences through digital platforms. Similarly, Latvia's *Support for Digitalisation of Processes in Commercial Activities*, Malta's *Digitalise Your Business* and *Digitalise Your Micro Business* schemes, and Ireland's *Digital Process Innovation* offer grants ranging from EUR 9 999 to EUR 120 000, depending on the country and company size. The *Grants for Digitalisation* scheme (EUR 30 million), managed by the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO), offers EUR 20 000 to EUR 100 000 per SME to boost their capacity to invest in and acquire digital technologies. Complementing this, the Croatian *Vouchers for Digitalisation* scheme (EUR 11 million) provides up to EUR 10 000 per SME for digital marketing support, employee training in digital skills, and the development of digital transformation and cybersecurity strategies – critical areas for retail SMEs looking to adapt and thrive in an increasingly digital economy.

A series of programmes have also made loans and grants available in support of the twin transition of retail SMEs, integrating both digitalisation and sustainability objectives. The *HBOR Direct Loans for Special SME Segments* in Croatia offers loans up to EUR 500,000 to support SMEs adapt business models based on the circular economy, transition to renewable energy sources, and invest in energy efficiency, along with investments in digital infrastructure, including digital marketing and procurement, automation and digitalisation of sales representatives. The *Sustainable Growth Programme* in Finland (*Suomen Kestävän Kasvun Ohjelma*, SSKO) supports the transformation of businesses through grants to support the introduction of similar digital and sustainable solutions, but also to finance the skills needed to boost such solutions.

A small number of initiatives, primarily of financial nature, have prioritised sustainable investments by SMEs. Denmark announced the allocation of EUR 235 million for energy efficiency measures in public buildings and SMEs, while Czechia announced that EUR 907 million would be invested in installation of renewable energy sources for households and businesses. The *Circular Economy Grant Scheme* in Poland and the *Climate Action Voucher* in Ireland provide grants to SMEs to implement actions that will address circular gaps in their businesses. The Grant Scheme in Poland can finance up to 85% of project costs related to investments in environmental technologies that help improve raw material management, increase energy efficiency, and reduce waste generation and greenhouse gas emissions. The Voucher in Ireland focuses more on early planning and the financing is designed to facilitate advisory support for the development of an action plan on sustainability, decarbonisation, and circular economy, with an expectation that it will lead to further training, technical feasibility, innovation, and capital projects.

Beyond direct financial support, some recovery funds have also been allocated to revitalising commercial districts and urban centres, recognising that the twin transition extends beyond individual businesses to the environments in which they operate. For example, the *Sustainable Markets* programme in Spain offered financial assistance to support markets, commercial urban areas, non-sedentary commerce, and short distribution channels to foster the adoption of technology and sustainable practices within the commercial sector. Another goal of the programme is to enhance the shopping experience, both online and in physical stores, by creating more attractive, accessible and engaging commercial environments.

While the NRRPs (2021–2026) have mobilised unprecedented resources for SMEs –supporting digitalisation, sustainability, and post-COVID recovery – their impending expiration raises questions about long-term continuity, particularly for sectors like retail. From e-commerce integration to waste reduction systems, recovery funds have enabled many retail SMEs to modernise. But without sustained investment and targeted action, there is a risk that recent progress will stall. To ensure that SMEs remain competitive in an increasingly digital and green economy, 2026 should only mark a transition – not a conclusion – in policy focus.

Cohesion Policy

For the 2021–2027 cycle, nearly one-third of the EU budget has been allocated to Cohesion Policy, with the aim of reinforcing European solidarity and reducing economic, social, and territorial disparities. As part of this framework, all Member States adopted Partnership Agreements with the European Commission, outlining their investment priorities for EU funds under shared management. A key component of these agreements is earmarked funding for the digital and green transition, supporting national efforts to enhance SME competitiveness and sustainability.

SME financing under Cohesion Policy is primarily facilitated through the European Regional Development Fund (ERDF), the European Social Fund+ (ESF+), and REACT-EU. Although many Partnership Agreements cite SME digitalisation and sustainability among their priorities, the level of specificity varies significantly across countries and regions. On its end, the ERDF allocated EUR 2.4 billion to the retail industrial ecosystem from 2014-2020 (European Commission, 2025[46]). Nonetheless, some agreements articulate these goals in rather broad terms, making it difficult to anticipate the scale or precise direction of future investments. This variation underscores the importance of robust implementation monitoring and further evaluation to ensure that Cohesion funds effectively support SMEs in the twin green and digital transitions.

Some Partnership Agreements go beyond broad financial commitments, embedding specific SME-focused programmes directly into their agreements. Estonia, for example, incorporated detailed initiatives into its EUR 781 million circular economy pledge, including the EUR 2 million Circular Production and Consumption Models initiative and EUR 500 000 for Resource Audits of Companies, which provide SMEs with grants to assess resource efficiency and access green financing mechanisms. In a similar way, Slovenia implemented the *Incentives for the digital transformation of SMEs (P4D 2025)*, which provides grant-based support covering up to 50% of eligible digitalisation investments for SMEs across the country.

Digitalisation is primarily linked to economic competitiveness, with many Partnership Agreements setting SME-specific targets. For example, Cyprus and the Slovak Republic allocated EUR 147 million and EUR 1.9 billion to SME digitalisation, respectively. In line with these commitments, several cohesion-funded programmes aim to close the digitalisation gap among SMEs. Initiatives such as *Vouchers for* Digitalisation in Slovenia and Greece's *Digital Transformation of SMEs Action Package* provide tiered financing for businesses at different stages of digital adoption. Others, like *Grow as a Business* in Estonia and *Modern Enterprises Programme* in Hungary, focus on tailored mentorship, professional networking, and action plans, helping SMEs assess digital readiness and address knowledge gaps.

While Cohesion Policy has extensively financed green initiatives at the national level, few programmes have directly targeted SMEs. Instead, green transition funding tends to be broader, prioritising energy independence, renewable energy adoption, and infrastructure upgrades such as public buildings and transport networks. However, some countries have made direct commitments to SME sustainability. Poland pledged EUR 3.85 billion to help businesses retrain workers and implement low-carbon strategies in regions most affected by climate policies. Malta committed EUR 417 million to joint green and digital investments for SMEs, supporting a smarter, low-carbon economy.

A smaller set of targeted programmes provide direct financial and technical support for SME sustainability. The *Greek Green Transition of SMEs Action Package* and Cyprus' *Operational Programme Competitiveness and Sustainable Development* offer grants for green investments, including infrastructure, certifications, and payroll for specialised green skills. Sweden's *Green Transition Leap* (*Omställningslyftet*) and Denmark's *COMMIT* programme focus on technical assistance, aiming to help SMEs develop sustainable business models, secure financing, and build the necessary workforce skills.

While most cohesion-funded policies target either digital or green transition, some integrated approaches have emerged. *Twinnovation*, a joint Latvia-Estonia programme, facilitates cross-border collaboration through peer learning, study visits, and mentorship, supporting SMEs in integrating both digital and green innovations into their operations. In the Czech Republic, *the Operational Programme for Technologies and Application for Competitiveness* has focused on advanced ICT services, Industry 4.0, and resource efficiency, providing grants to nearly 2 000 enterprises and reducing GHG emissions by 300 000 tonnes of CO_2 annually.

Digital Europe Programme

Also designed in the context of the COVID-19 pandemic, the Digital Europe Programme seeks to accelerate economic recovery and drive digital transformation. With a EUR 7.5 billion budget for 2021-2027, it supports critical digital infrastructure, prioritising investments in cutting-edge technologies such as AI and high-performing computing.

At the national level, countries have used Digital Europe funds to implement SME-specific digitalisation programmes. For instance, Cyprus' *Supporting Competitiveness and Innovation Potential of SMEs* initiative offers grants of up to EUR 150 000 to help SMEs develop advanced computational capabilities and digitise business processes. Similarly, the Netherland's *Digital Economy Strategy* mobilises both national and Digital Europe funds to create EDIHs and support digital research facilities, while Ireland's *Cybersecurity* Improvement *Grant* focuses on cyber resilience and upskilling, financing recommendations from the National Cybersecurity Coordination and Development Centre (NCC-IE). Besides examples of direct investment, initiatives like Czechia's *The Country for the Future*, focus on increasing their readiness to later make use of the available resources.

The European Digital Innovation Hubs (EDIHs), a landmark initiative of the Digital Europe Programme, serve as one-stop shops helping businesses and public sector organisations tackle digital challenges to enhance competitiveness. The EDIH network, with over 400 hubs across Europe, acts as a crucial intermediary between EU-level digital strategies and on-the-ground implementation. Like NRRPs and Cohesion Policy, EDIH implementation is delegated to Member States, which develop national strategies for their use. Through local and national partnerships, hubs provide regionally tailored services, combining specialised digital expertise with pan-European knowledge exchange. The network structure allows hubs to share best practices across countries and offer cross-border digital services when local expertise is unavailable.

EDIHs help SMEs improve business and production processes, products or services using digital technologies by providing innovation services and the possibility to "test before invest" before integrating new technologies. Some countries have developed specific policies to facilitate SME access

to EDIH resources. Romania's *Financing Projects for the Digitisation of SMEs through EDIHs* programme, for example, offers grants up to EUR 220 000 to help businesses develop structured digitalisation frameworks in collaboration with national EDIH members.

Although primarily a digitalisation instrument, some EU Member States are leveraging EDIHs to advance the twin transition, aligning digital and green objectives. Germany's nationwide *Netzwerk der Mittelstand-Digital Zentren* (Network of Mittelstand-Digital Innovation Hubs), comprising regional, topic- and industry-specific hubs, supports SMEs, start-ups and skilled crafts by providing expert knowledge, workshops, training sessions, demonstration centres, networking events and practical examples on digitalisation, including circular economy and climate-related issues to promote environmental sustainability. From 2027 onwards, a new network of Mittelstand-Digital Innovation Hubs will be established in Germany.

National policies

National governments play a critical role in supporting the digital and green transition of retail SMEs. While EU-level frameworks offer strategic direction and funding instruments, many countries have developed their own tailored approaches that respond to specific market conditions and policy priorities. These national strategies are often complemented by regional and local initiatives, which help adapt support to the needs of different territories and business ecosystems.

This assessment follows a structured policy mapping of "twin transition" SME support programmes across EU Member States. The first step involved identifying national-level initiatives that provide financial, technical, or combined assistance for digitalisation, sustainability, or both. Policies were then categorised by their type of support – including grants, loans, guarantees, and advisory services – as well as by focus area, distinguishing between digital transition, green transition, and integrated digital-green strategies. Special attention was paid to whether these support measures were accessible and relevant to retailers, or whether retail-specific provisions were in place. Programmes were reviewed for their alignment with common retail challenges, such as the uptake of e-commerce, energy efficiency in physical stores, and access to tailored digital or sustainability training.

A list of over 100 policies is presented in Annex B. The list provides basic information, including the policy name, country, lead institution, scope and type of instrument. The mapping and analysis are based primarily on publicly available sources as of March 2025, complemented by inputs from national delegations where provided.

Building on this mapping, the assessment is organised in two parts. The first presents a general overview of cross-cutting findings that apply across the SME support landscape, including challenges related to access, uptake, and the balance between digital and green priorities. The second part is structured around specific policy areas (i.e. scope) and mechanisms (i.e. type of instrument). This structure allows for both a system-wide view and a targeted examination of how policies are designed and implemented, with particular attention to their relevance for retail SMEs.

National policies supporting the digital transition of retail SMEs

Across the EU, a wide range of national initiatives have been introduced to support the digital transformation of SMEs, particularly in the retail sector. These policies differ in scope and delivery mechanisms but can be broadly categorised into three types of support: financial instruments, technical capacity-building initiatives, and integrated programmes that combine funding with technical support. Together, they reflect a growing recognition that SME digitalisation requires not only capital investment but also advice, training and strategic consulting.

Financial support

Most EU Member States have implemented financial instruments to facilitate SME digitalisation, particularly in the retail sector. These include grants, loans and vouchers designed to reduce the upfront costs of adopting new technologies and upgrading digital infrastructure. Such instruments are especially critical for smaller firms facing capital constraints, enabling them to modernise operations, improve efficiency and respond to evolving consumer expectations, creating the conditions for more widespread technology uptake.

In several countries, national initiatives provide targeted funding for technology adoption, cybersecurity and business process optimisation. For example, in Germany, programmes such as *Digital Now* and *Go-Digital* (which ran to late 2023 and 2024, respectively) offered non-repayable grants to SMEs investing in digital hardware, software and strategy consulting. Austria's *KMU.E-Commerce* similarly supports the development of online sales channels by subsidising new e-commerce platforms, secure payment systems and user experience enhancements. Lithuania's *Funding Call for Digital Activities of Enterprises* is a grant specific for SMEs to develop e-sales transactions, enhance visual design and strengthen their online presence, making it especially relevant for retail SMEs. Meanwhile, Slovenia's *Strategy of Digital Transformation of the Economy* is structured around three pillars: technology as an enabler, an efficient ecosystem, and an open and sustainable society. Conversely, Malta's *SME Digitalisation Grant Scheme & Digital Intensification Scheme* consists of two grants, one specific for SMEs and another for larger companies that supports their digitalisation projects. Finally, France's *Prêt Transformation Numérique* provided accessible loans to accelerate the digital transformation of small firms, especially in customer engagement and online service delivery.

Several countries in Southern, Central and Eastern Europe have adopted voucher schemes and structured grant programmes to reach a broader base of SMEs, particularly micro and small enterprises. Croatia's *Grants for Digitalisation* and *Digitalisation Vouchers* offer financial support for the adoption of digital tools, e-commerce platforms, cybersecurity upgrades and digital strategy development. Greece's *Digital Transformation Action Package* and *Digitalisation of Business* voucher scheme, supported by EU recovery funds, help SMEs adopt a tiered approach to digitalisation, from basic tools to cutting-edge technologies. Cyprus' *Digital Upgrade Scheme for Businesses* covers up to 50% of digital tools and material technology costs for SMEs aiming to digitalise. Italy's *Sustainable Investments 4.0* facilitates private investment into sustainable, digital technologies for SMEs, targeting firms in southern regions, while its *Incentivo per la Trasformazione Digitale delle PMI* serves a broader geographical scope. Similarly, Romania's *Financing Projects for the Digitisation of SMEs through EDIHs* scheme provides non-repayable grants to support digital adoption, including AI, cloud computing and staff training, while the *Start-up Nation* programme offers comparable support to newly established enterprises.

Likewise, Spain and Portugal have each mobilised complementary national grant schemes aimed at supporting the digitalisation of SMEs. Indeed, In Spain, *Bono de Conectividad* and *Programa Kit Digital* come together to provide internet access, connectivity support, and transformative digital solutions. Meanwhile, Portugal's *Vale Indústria 4.0, Internacionalização via E-Commerce* and *Mini-Agendas* initiatives individually focus on key aspects of digitalisation, such as e-commerce setup and internationalisation. As such, SMEs in Portugal can use grant funding to encourage digital channel development and international market access through technology.

Aside from voucher and grant programmes, loan-based financial support is also emerging as a flexible alternative in several EU countries. Denmark's agreements with the EIF and Finland's *Digitalisation and Innovation Loan* facilitate SME access to capital for digital investments, backed by EU-level guarantees under the InvestEU programme. Greece's *Digitalisation Co-Financing Loans*, offered in partnership with the Hellenic Development Bank, combine commercial lending with state-supported interest subsidies. These financial tools can help SMEs invest in digital technologies and business model innovation while easing credit constraints.

Technical support

A growing number of EU countries have developed technical support instruments to help SMEs build the internal capacity needed for effective digitalisation. These programmes emphasise advisory services, training, mentoring and knowledge sharing, particularly valuable for smaller firms that may lack in-house expertise. In Germany, the *Mittelstand-Digital Zentrum Handel* provides targeted assistance to retail SMEs, offering free workshops, webinars, guidelines, demonstrations, checks and navigators to help businesses adopt new digital tools. Similarly, Hungary's *Modern Enterprises Programme* delivers no-cost audits and IT consulting to thousands of SMEs, particularly in rural areas. These initiatives not only foster digital uptake but also improve SMEs' ability to navigate public funding and certification schemes.

Some EU Member States have introduced digital maturity assessments and localised support platforms to guide SMEs through their digital journey. Latvia's *SMART Latvia* initiative offers an online Digital Maturity Test that evaluates a company's readiness across multiple domains (e.g. customer interaction, data security, operations and marketing) and connects businesses to recommended IT solutions. In Portugal, the *Programa Comércio Digital* uses a network of Digital Trade Accelerators to deliver mentoring, workshops and practical assistance to over 25,000 SMEs in the commerce and consumer services sectors. Spain's *Connected Commerce Platform* plays a complementary role, offering online self-assessment tools, multimedia training resources and community-building features aimed at improving SMEs' digital literacy and competitiveness.

Technical instruments also play a critical role in strengthening cybersecurity awareness and localised support networks. Belgium's *Dissemination and Sharing of Knowledge, Tools and Material initiative*, managed by the National Cybersecurity Coordination Centre, distributes EU-resources to micro and small firms with limited digital infrastructure. Luxembourg's *LetzShop* supports smaller retailers in establishing an online presence, offering a low-cost national e-commerce platform tailored to non-digital businesses. Finally, in the Netherlands, the *Versnelling Digitalisering MKB* programme builds regional capacity through Digital SME Workshops, where students and local partners assist SMEs with online marketing, data use and process automation. Together, these initiatives illustrate how Member States are leveraging technical assistance to ensure that SME digitalisation is not solely technology-driven, but also grounded in practical guidance, sector-specific expertise and the strength of local ecosystems.

Box 2.7. Germany's Mittelstand-Digital Zentrum Handel (Mittelstand-Digital Innovation Hub for Commerce)

The *Mittelstand-Digital Zentrum Handel* is part of the broader Mittelstand-Digital initiative, launched in 2011 and funded by the Federal Ministry for Economic Affairs and Energy (BMWE), to support the digitalisation of SMEs across sectors in Germany. The initiative operates through a nationwide *Netzwerk der Mittelstand-Digital Zentren* (Network of Mittelstand-Digital Innovation Hubs), which provide impartial, tailored support free of charge.

Each hub functions as a one-stop shop and is managed by a consortium of public and non-profit universities, research institutions, associations, chambers of commerce or skilled crafts, and regional economic development agencies. These consortia collaborate closely with other national and EU initiatives, including the European Digital Innovation Hubs (EDIHs).

The *Mittelstand-Digital Zentrum Handel* focuses specifically on small and medium-sized retailers, offering practical guidance, demonstrations, and hands-on support for adopting digital technologies and processes. Key focus areas include e-commerce, digital marketing, electronic payments, process automation, IT and cybersecurity, and data protection. Services are delivered through workshops, webinars, information events and demonstration centres where businesses can explore use cases and

test solutions.

Two notable initiatives illustrate the hub's outreach efforts: *DigitalMobil Handel*, a mobile exhibit showcasing digital tools for the customer journey, and the *Retail Garage* in Berlin, a 300 m² showroom that operated from April 2023 to June 2025, allowing businesses to experience retail-focused digital innovations in practice. While service offerings may vary slightly across regional locations, all are provided free of charge and on an impartial basis.

Integrated support

Several EU Member States have adopted integrated approaches to digital policy by combining financial assistance with technical support to help SMEs overcome both cost and capability barriers. These initiatives offer not just funding for technology acquisition but also advisory services, mentoring and skills development to guide effective implementation. In Ireland, the *Digital for Business* programme supports smaller enterprises with tailored consultancy services to identify digital priorities and develop structured action plans. In Poland, the *Dig.IT* programme offers financial support to foster digital and economic development. Both schemes provide both advisory and grant-based support to ensure that improvements in processes, customer engagement, and data use are strategically integrated into business objectives. Similarly, Portugal's *Coaching 4.0* combines coaching and financial incentives to help SMEs reconfigure their business models around digital technologies, including automation, supply chain innovation and Industry 4.0 applications.

Some initiatives also serve as hubs for broader ecosystem development, fostering collaboration between public authorities, private service providers and SMEs. In Italy, the *Punto Impresa Digitale (PID)* initiative delivers integrated support through a decentralised network of Digital Business Points within Chambers of Commerce. SMEs can access digital maturity assessments, consultancy services, workshops and digital vouchers for technology investments. Additionally, Spain's *Plan de Digitalización de PYMEs 2021-2025* mobilises EUR 4.5 million to accelerate basic SME digitalisation, transformation, disruptive innovation and digital entrepreneurship, among other goals. France's *France Num* initiative follows a similar model, offering personalised guidance via a network of certified advisors, along with information resources and access to guaranteed loans to finance digital transformation projects. Beyond financial support, these ecosystem-based approaches focus on facilitating SME access to peer learning, expert advice and continued skill development.

Some programmes offer businesses both financial incentives and expert consultancy to help assess digital opportunities, automate processes and implement IT security upgrades. In Denmark, between 2018 and 2022, the SME:Digital programme supported over 6 000 digitalisation projects, reflecting the value of integrated approaches that align investment readiness with technical support. Through a selective cohort model, the initiative combines deep, hands-on technical engagement with targeted financial aid, ensuring that SMEs are equipped to carry forward their digital strategies beyond the life of the programme.

Some integrated programmes are also rooted in national recovery strategies and reforms, combining multi-year planning with targeted calls for proposals. The Czech Republic's *Platform for the Digitalisation of the Economy*, developed under its National Recovery Plan, supports both reforms and project-level investments through grants, capacity-building activities and stakeholder coordination. The EUR 85 million initiative prioritises cybersecurity and digital process transformation, positioning the platform as both a policy driver and delivery mechanism. Overall, these examples highlight a shift toward integrated support ecosystems that acknowledge SMEs' multiple needs in navigating their digital transitions.

Policies supporting the green transition of retail SMEs

Financial support

The green transition of retail SMEs is being supported by a wide array of financial instruments aimed at improving access to capital, incentivising climate-friendly investments and facilitating the adoption of sustainable technologies. Numerous EU Member States have established loan facilities and credit guarantees tailored to SMEs, many co-financed by European instruments such as InvestEU, the Recovery and Resilience Facility (RRF) or national development banks. For example, the EIB-HBOR Sustainable Development programme in Croatia, the EIB-NBG Green Financing Agreement in Greece, the EIB-BluOr Bank Green Financing for SMEs in Latvia, and the EIB-INVEGA Loan Guarantee in Lithuania finance SME investments in renewable energy, energy efficiency and clean transport. These facilities are typically deployed through local financial intermediaries and are often earmarked to support cohesion regions or under-served markets.

In parallel, a growing number of green loan guarantee schemes are helping to de-risk sustainability investments, particularly for SMEs and mid-caps lacking sufficient collateral or long credit histories. Instruments such as BMKB-Groen in the Netherlands, IMM INVEST in Romania, EIF-EIFO's Sustainability Guarantee in Denmark, The Accelerated Transition to a Green Economy plan in Cyprus (Axis 2 of its Recovery and Resilience Plan), and the EIF Guarantee Agreements in Romania and Poland offer preferential loan terms and lower interest rates for eligible green projects. These schemes often target projects aligned with the EU taxonomy for sustainable activities, such as renewable energy generation, circular economy measures or electrification of transport, and aim to mainstream green financing across national banking systems.

Alongside loan-based support, non-repayable grants continue to play a central role in encouraging smaller firms to undertake environmentally beneficial investments they might otherwise defer. National schemes such as Austria's *aws Energy & Climate*, France's *Tremplin pour la Transition Écologique des PME*, Ireland's *Energy Efficiency Grant*, Lithuania's *Innovation Vouchers Programme*, Malta's *Enterprise Incentive Schemes* and Cyprus's *Circular Economy in SMEs* scheme provide flat-rate or project-based subsidies for energy audits, acquisition of energy-efficient machinery, or the installation of renewable energy systems. Some of these programmes, like Italy's *Support to SMEs for Self-Production from* Renewable *Energy Sources*, target investment in solar and wind power, while others focus on broader categories such as waste reduction, sustainable logistics, resource efficiency, or in the case of Belgium's *Transition Acceleration Policy*, financial support may be allocated to any transition idea, as long as it comprises a verified plan.

Moreover, several financial instruments blend green transition support with broader innovation or competitiveness agendas. For instance, Hungary's *GINOP,* as well as Bulgaria's *EBRD Green Portfolio Guarantee*, and *Smart Specialisation Strategy*, facilitate financing for green technologies as part of wider economic modernisation strategies. The growing number of multinational guarantee schemes, including those signed by the EIB with private banks, reflects ongoing efforts to promote a more pan-European approach to SME greening, with financial products designed to operate across multiple EU countries. These initiatives suggest a move towards a more coordinated landscape of green financial instruments in Europe, though further evidence is needed to assess the extent to which they are strategically aligned with national priorities and EU climate targets.

Technical support

Alongside financial incentives, many countries have introduced technical assistance programmes to support sustainability efforts. These measures are increasingly important to build organisational readiness, raise awareness, and equip businesses with practical tools for environmental action. Many initiatives target foundational needs, such as improving energy efficiency, reducing emissions, and

integrating circular economy principles, through free or subsidised consulting, tailored diagnostics, or training programmes. France, for example, offers a wide array of initiatives under ADEME and BPI France, including *Diag Éco-Flux*, *Diag Décarbon'Action*, *Accélérateur Décarbonatation* and *Diag Ecoconception*, which guide SMEs through evaluating their environmental performance, measuring emissions, and redesigning products and processes for greater sustainability.

Other initiatives focus on building long-term competencies and fostering networked learning environments. France's *Communauté du Coq Vert* and Denmark's *COMMIT* facilitate communities of business leaders and local advisors, respectively, to scale green transition support through peer learning and good practice dissemination. Similarly, Ireland's *Green for Business* offers free consultancy to help small firms identify concrete first steps toward sustainability, while the *All-Ireland Climate Action Pilot Programme* explored how larger companies could work collectively to support SMEs within their supply chains in decarbonising operations. In Germany, the *Mittelstandsinitiative Energiewende und Klimaschutz* focuses on practical training, local partnerships, and advisory tools designed specifically for tradespeople and small business owners. Finland's *Climate Community* operates in a similar way, but on top of trainings, it organises two annual networking events in Helsinki, where cooperation and knowledge-sharing among SMEs can take place.

At the sectoral level, some programmes provide bespoke technical guidance tailored to high-impact industries. Finland's *Sustainable Travel Finland (STF)* offers a structured toolkit and certification path for the tourism sector, while France's *ACT (Accelerate Climate Transition)* initiative helps businesses across sectors align with Paris Agreement targets through structured emissions-reduction planning. *Le Parcours* Énergie combines audits, training, and action plans to assist SMEs with energy performance improvements, complemented by online platforms like *Climatomètre* and *Mission Transition Écologique*, which guide SMEs through available national support services.

Several cross-border programmes further highlight the European dimension of technical support for SMEs. *SME POWER* (covering five countries) and *GRESS* (covering four) facilitated peer learning and policy improvement around energy management and green entrepreneurship, while the EU-backed initiative on *Renewable Energy Communities for Agrifood and Retail SMEs* supports the formation of local renewable energy collectives to stabilise energy costs and reduce emissions. As climate ambitions rise, these technical and advisory programmes represent crucial levers to build the skills, knowledge and practical capabilities that SMEs need to make the green transition a reality.

Integrated support

A growing number of green transition initiatives for SMEs combine financial incentives with technical assistance, creating more comprehensive support structures. These integrated approaches acknowledge that neither capital nor technical support alone is sufficient, and that firms require both to effectively implement sustainable business models.

Some programmes offer bundled support that begins with assessments and leads to funding. In France, the *Aid for the Ecological Transition of SMEs* provides up to 35,000 free ecological diagnostics and 10,000 follow-up support actions for small enterprises, including artisans and merchants. Similarly, *Project GREEN* in Denmark combines energy audits with grants for business model development, backed by peer exchange events to disseminate findings. Ireland's *GreenStart* offers funding for environmental consultancy to implement structured management systems, while *Accompagnement Écoconception* in France and *Innobooster* in Denmark support both training and implementation of eco-design strategies, covering up to 80% and 35% of costs, respectively.

Cross-border efforts such as the EU's GreenSME and CESME projects integrate advisory services, match-making platforms, and financing tools, enabling SMEs to assess sustainability readiness, network with peers, and access up to EUR 35 000 or EUR 10 000 respectively in funding. These

initiatives have placed emphasis on digital tools, sector-specific challenges (especially for manufacturers), and the practicalities of entering circular economy value chains. For instance, CESME developed a Circular Economy Toolkit and White Book, guiding SMEs across Europe step-by-step through green transformation, engaging over 690 firms.

Several programmes also align with broader regional development and bilateral cooperation goals. The *Business Development, Innovation and SMEs Programme* in Bulgaria and Lithuania, funded by Innovation Norway, supported over EUR 40 million in green innovation grants, while also strengthening bilateral ties through joint training and capacity-building activities. Similarly, the *EIB-BDB Accelerating the Green Transition* initiative in Bulgaria blends EUR 175 million in loans with advisory support under the EIB's Green Gateway facility, helping SMEs secure finance and build institutional knowledge on sustainable operations.

These integrated programmes are particularly well suited to support SMEs in overcoming multiple barriers at once. By offering a package of technical advice and financial support, they are more likely to achieve durable change, allowing SMEs not just to fund isolated green projects, but to embed sustainability within their core business model.

Policies supporting the twin transition of retail SMEs

Financial support

Recognising the intertwined nature of environmental sustainability and digital innovation, a number of SME support schemes are structured to jointly advance the twin transition. These programmes combine financial support for green and digital investment, with the aim to assist businesses in modernising operations while reducing environmental impact.

The InvestEU programme plays a central role in these efforts. Across numerous EU countries, EIF-backed guarantee agreements are enabling commercial and promotional banks to offer low-collateral, low-interest loans for projects that simultaneously enhance sustainability and digital capacity. For instance, the EIF-UniCredit guarantees mobilise EUR 1 billion in seven Central and Eastern European countries for SME investments in twin transition technologies. Similar EIF agreements in Latvia, Malta, Estonia, Slovenia, Denmark, Belgium, Croatia, Finland, Greece and Portugal support initiatives ranging from AI-driven green solutions to energy efficiency upgrades and digital infrastructure investments.

Several national development banks have embedded the twin transition into their core lending strategies. The Croatian Bank for Reconstruction and Development (HBOR) provides direct loans for digital and green investments, with tailored products for start-ups and underrepresented entrepreneur groups. In Greece, the EIB-HDB cooperation unlocks up to EUR 2 billion in liquidity and co-funded loans for digital upgrades and green transformation, while Germany's KfW aims to provide up to EUR 100 million per year.

Many schemes are sector-neutral but prioritise impact. For example, Austria's *aws Digitalisierung* funds first-time AI use in green technologies, focusing on trustworthy, sustainable applications and its *aws Green Frontrunner Programme* supports enterprises of all sizes with up to EUR 1 million, conditional on them aiming to execute exceptional technological innovations aligned with climate goals. Malta's *Smart Sustainable Investment Grant* supports technology adoption projects that both modernise business operations and reduce emissions. Similarly, Poland's *Smart Track* provides grant-based aid for SMEs to strengthen digitalisation and greening of their operations. In Luxembourg, *the SME Packages* programme co-finances up to 70% of project costs for initiatives worth between EUR 3 000 and 25 000 that fit within its *Digital* or *Sustainability* tracks. In Portugal, financing for similar projects can go up to EUR 30 000 under the *Vouchers para Startups – Novos Produtos Verdes e Digitais* initiative. Additionally, Spain's *Fondo*

Tecnológico and *Sustainable Markets* programmes target retail and urban commerce modernisation, blending sustainability upgrades with digitisation of supply chains, point-of-sale systems, and logistics.

Some programmes embed twin transition support into broader economic recovery or industrial strategies. Two examples are Finland's *Sustainable Growth Programme* and Hungary's *Digital and Green SME Investments*. These target digital productivity gains and carbon neutrality through investments in areas like Industry 4.0, circular economy models, or automation. In the Czech Republic, the *Operational Programme for Technologies and Application for Competitiveness* supports over EUR 7.6 billion in grants for innovation, resource efficiency, and digital infrastructure outside of major urban centres. Although some of these calls have concluded, like Hungary's 2021 *twin transition grant*, Ireland's *Regional Enterprise Transition Scheme*, or Poland's *Cluster Action For Ecosystem Innovation Network (CAFEIN),* they laid important groundwork by helping SMEs adopt smart manufacturing technologies, decarbonise logistics, and digitise internal systems.

Technical support

The twin transition demands not only financial resources but also new skills, tools, and institutional support to guide SMEs through evolving technologies and sustainability expectations. Across Europe, numerous initiatives have been launched to provide technical assistance, knowledge-sharing, consulting services, and targeted training to accelerate SMEs' readiness for this shift.

At the national level, programmes are helping build digital capabilities while embedding environmental performance into core business models. Denmark's *IoT-Driven Business Design* supports sustainable applications of Internet of Things (IoT) technologies, enabling SMEs to assess the environmental impact of systems from the design phase onwards. In France, mentorship programmes, such as Bpifrance's *Consulting Missions* and CCI France's *Network of Chambers of Commerce and Industry* are in place to provide SMEs with diagnostics and tailored strategies that integrate environmental responsibility with digital marketing, e-commerce, and customer engagement.

A strong policy trend lies in using "missions" or thematic roadmaps to guide business support. Business Finland's Mission-based model focuses national support around five forward-looking themes, such as zero waste and digital productivity, aligning R&D, funding and networking resources.

Programmes often target skills gaps and operational readiness, particularly for micro-enterprises and SMEs in more traditional sectors. In Greece, the *Sustainable Business Futures* programme offers targeted training on topics ranging from renewable energy to sustainable branding and supply chain management. In Croatia and surrounding regions, *EmBRACE* and others blend technical coaching with innovation strategy development, ensuring SMEs are not just compliant with twin transition goals, but actively leading in their implementation.

Integrated support

The complexity of the twin transition requires not only targeted interventions but also comprehensive, integrated support frameworks. These initiatives combine financial tools, consulting services, capacity-building activities, and networking platforms to help SMEs become more resilient, resource-efficient and future-ready. Across Europe, national and multinational programmes are offering such integrated assistance, tailored to SMEs' evolving needs in the face of climate change and digitalisation.

Austria's *KMU.DIGITAL* programme and Slovenia's *Industrial Strategy* are good examples of integrated support, providing a mix of financial assistance, strategic consulting and digital readiness assessments to SMEs pursuing both digital upgrades and ecological transformation. Backed by EU recovery funds, the two programmes have created a strong system of certified advisors, workshops and tools tailored to small businesses' realities. Hungary's *EDIOP Plus*, Estonia's *Green ICT*

Programme and the Netherlands' *MKB!dee and Green and Digital Jobs Action Plan* further illustrate the integration of technical and financial tools. EDIOP Plus mobilised significant EU funds to support energy efficiency, ICT upgrades and sustainable production, while Estonia's programme promoted cross-sector collaboration and knowledge exchange through a green ICT lens. Relatedly, both *MKB!dee* and the *Green and Digital Jobs Action Plan* focus on supporting the development of employee skills and practice-oriented research in the green and digital sectors, allocating EUR 26.8 million and ~ EUR 297 million, respectively.

In Bulgaria, the *Competitiveness and Innovation in Enterprises* Programme combines grants, loans and technical guidance to foster innovation, circular economy solutions, and international competitiveness. Its structure supports SMEs in accessing finance and advisory support in tandem, covering both digital and environmental upgrades. Nationally, other policies complement the programme, namely the *Research, Innovation and Digitilasation for Smart Transformation Programme 2021-2027*, which finances up to 100% of science-intensive service costs, and the *National Strategy for Small and Medium-Sized Enterprises 2021–2027*, which tackles entrepreneurship, access to markets and finance, digitalisation, better regulation and environment. The latter has a similar approach to the Czech Republic's *SME Support Strategy 2021-2027*, which in turn also addresses productivity and resource efficiency.

Similarly, Cyprus's *THALIA* Programme, encompassing over EUR 1.8 billion, delivers co-financing, training and infrastructure development through multiple thematic priorities that directly address SME digitalisation, circular economy, and climate neutrality. Lithuania's *Boosting Green Innovation* programme is comparable, as it mobilises grants of up to EUR 50 000 per SME and collaborates with sustainability consultants to fund eco-friendly and digital product development. Italy's *Transition Plan 5.0* shares this objective, but distinguishes itself by using tax credits, alongside other support measures, as a key instrument to accelerate SMEs' twin transition. Additionally, to ensure accountability and impact, projects must obtain independent certification, including ex ante and ex post evaluations confirming their compliance and results.

Regional strategies in Denmark (via the Strong Enterprises framework), Portugal (through Digital Commercial Neighbourhoods) and France (with The Fund for the Restructuring of Business Premises), apply place-based approaches to build digital infrastructure, enhance local value chains, and regenerate economic activity in alignment with green and digital goals. In Portugal and France, the initiatives target the revitalisation of commercial districts, blending urban renewal with digital adoption and sustainability. Austria's *Accelerate GDT* has a similar approach, but operates by strengthening already functioning national and regional cluster policies to accelerate the twin transition whilst improving SME competitiveness.

Sector-specific initiatives are also emerging in connected industries. The *ST3ER* project, operating in five countries, addresses the tourism sector with innovation grants, mentoring and training to support carbon footprint reduction and smart digital solutions. Likewise, the EU-funded *Innovate to Transform* mechanism uses a dual approach, combining advisory services and financial support, to guide SMEs in key industries (textiles, aerospace, construction, and advanced manufacturing) through the development and adoption of sustainable, digitally enabled business models.

Box 2.8. Portugal's Digital Commercial Neighbourhoods

Portugal's Digital Commercial Neighbourhoods programme aims to enhance SME competitiveness by integrating digital technologies into high-density commercial areas and transforming them into connected digital marketplaces. The initiative plans to establish 50 neighbourhoods by 2025, fostering unified brand identities and community engagement through advanced digital infrastructure and centralised management. These neighbourhoods promote shared logistics solutions, local marketplaces, and the integration of businesses into existing digital platforms.

The programme is funded through EUR 52.5 million from the EU Recovery and Resilience Facility (RRF) and is overseen by the Agency for Competitiveness and Innovation (IAPMEI). A broader national budget of EUR 77.5 million supports the creation of 95 digital shopping districts across Portugal.

Priority is given to dense commercial zones such as Coimbra's Baixa and Setúbal's historic centre. SMEs and local businesses within designated areas are eligible to participate, provided they meet certain criteria, including legal registration, compliance with tax and social security obligations, and authorisation to conduct commercial activities. Collaboration between local authorities, businesses and technology providers is essential for developing and maintaining these digital ecosystems.

The programme supports SME digital transformation by providing tools to expand online presence, improve logistics infrastructure, and strengthen market visibility. Shared delivery services, dark stores and click-and-collect points are expected to improve operational efficiency. Training and capacity-building measures are also offered to help business owners build the digital skills needed to adapt and grow. Additional features, such as augmented reality, geo-analytics and a unified visual identity, are designed to revitalise commercial districts and attract more consumers, contributing to both local vibrancy and broader national objectives.

General assessment

Recognising the role of SMEs in navigating the twin transition, national governments and financial institutions have expanded SME support through grants, loans, and guarantees in order to boost investments in digitalisation and sustainability. However, while financing mechanisms are widely available, the overall policy landscape remains fragmented, with digital and green transitions often treated separately rather than as complementary objectives.

While many SMEs benefit from both digital and green support mechanisms, relatively few programmes are explicitly designed to leverage the synergies between the two transitions. Most financing instruments treat digital and sustainability upgrades as separate objectives, rather than encouraging SMEs to use digital tools as enablers of sustainability. To fully unlock these cross-cutting benefits, policy frameworks need to promote integrated investments, combining digitalisation and sustainability incentives while strengthening advisory services that help SMEs align these transformations with their business models.

European SMEs have made significant strides in digitalisation, supported by funding for automation, cybersecurity, e-commerce, and AI-driven solutions. However, many initiatives remain technology-focused rather than strategic, that is, they support businesses in adopting digital tools but do not necessarily focus on how SMEs can effectively integrate them into broader business models. A major gap remains in SME capacity-building efforts, particularly in areas such as data-driven decision making. Without stronger strategic guidance, many SMEs risk underutilising digital investments or failing to connect them with long-term competitiveness and sustainability goals.

Public and private funding for SME sustainability initiatives has increased significantly, with numerous programmes supporting clean energy adoption, resource efficiency, and decarbonisation efforts. However, SMEs face varying degrees of readiness to take advantage of these schemes, with smaller businesses often struggling to navigate complex funding structures, implement sustainability frameworks, or measure environmental impact. Furthermore, while financial incentives for green investment are widespread, technical assistance remains relatively underdeveloped. Greater emphasis on advisory services and best-practice sharing would improve SME participation and long-term impact.

Financial assistance remains the backbone of SME support, with a high concentration of grants, low-interest loans, and guarantee schemes aimed at accelerating both digital and green investments. However, access to funding remains uneven, as some businesses (particularly micro-enterprises and firms in traditional sectors) struggle with eligibility criteria, administrative complexity, or limited technical capacity to develop investment-ready projects. Among SMEs that have taken resource efficiency actions, 64% rely on their own financial resources and 54% on their own technical expertise. Comparatively fewer SMEs rely on external support (24%) (European Commission, 2022[58]). Beyond improving accessibility, more tailored financing mechanisms can facilitate that SMEs receive support aligned with their size, sector, and specific transition needs, making funding more actionable and effective.

One of the most significant gaps in SME policies is the limited availability of technical assistance and advisory services complementing financial support. While financial incentives encourage investment, many SMEs lack the internal expertise to implement and sustain the changes effectively. Expanding training, mentoring, and advisory services – particularly those tailored to retail-specific needs – would strengthen retail SMEs' capacity to integrate digital and sustainability strategies into their core operations, ensuring long-term success beyond initial funding cycles.

While European countries have made substantial progress in enabling SMEs to navigate the twin transition, challenges remain in ensuring that financial support is accessible, digital and green strategies are fully integrated, and SMEs receive the necessary technical guidance. A more coordinated policy approach, with expanded capacity-building efforts, regulatory incentives, and cross-sector collaboration, could accelerate the impact of SME investments, helping businesses not only adopt new technologies and sustainable practices but also turn them into long-term competitive advantages.

Conclusions

EU and national policymakers have made significant strides in strengthening the capacity of retail SMEs to navigate the twin transition toward digitalisation and sustainability. Strategic frameworks such as the Digital Decade, European Green Deal, and National Recovery and Resilience Plans have laid a solid foundation. Yet, implementation challenges remain. Without deliberate efforts to sustain momentum, there is a real risk that policy advances may fall short of driving widespread adoption and lasting competitiveness among smaller retailers. Continued engagement and investment are essential to help maintain progress.

Financial and technical support: Still uneven and fragmented

While financial tools – grants, loans, guarantees – are widely available, many small and micro-retailers continue **to face barriers to access, including administrative complexity, eligibility restrictions, and lack of awareness.** Traditional retail, particularly independent shops, remains underserved. Furthermore, technical assistance is often treated as secondary to funding, even though access to capital without adequate advisory support may reduce the effectiveness of investments in new technologies and limit innovation potential.

The most effective programmes combine funding with targeted technical assistance, including diagnostics, mentoring, and capacity-building. Scaling such integrated approaches, especially for under-resourced retailers, is essential. Simplified application procedures, micro-grants, and embedded advisory services would help broaden participation and support long-term transformation beyond initial investments.

Digitalisation: Bridging the gaps in adoption and capabilities

Digitalisation is advancing in the retail sector, with investments in e-commerce platforms, digital payments, customer data tools, and marketing. However, adoption is highly uneven. Smaller, often family-run or rural retailers struggle not only with acquiring digital tools but also with integrating them into their core business models. Existing schemes often promote technology adoption without accompanying managerial and strategic training, leading to limited or fragmented use.

To accelerate inclusive digital uptake, support must go beyond hardware and software procurement. Programmes should include user-centred digital readiness assessments, business model innovation coaching, and continuous digital skills training. Public investment in local digital ecosystems, via chambers of commerce, digital innovation hubs and city-led initiatives, can also enhance accessibility, especially for smaller retailers with limited internal capacity.

Sustainability: Higher expectations, persistent barriers

Retail SMEs face mounting pressure to adopt sustainable practices, from reducing emissions and energy use to complying with EU-wide environmental standards. Yet many lack the capital, skills, or planning tools needed to operationalise sustainability. Green funding often exists but is hard to access or not retail-specific, and few retailers can estimate the long-term return on investment for green upgrades.

Addressing these structural barriers requires more than increasing funding volumes. Targeted solutions, such as on-site audits, simplified energy efficiency grants, and sector-specific advisory services, can enable retailers to act. At the same time, sustainability regulations should be designed with SME-friendly implementation frameworks, balancing ambition with administrative feasibility.

Retail-specific policy design: One size does not fit all

Retail SMEs differ fundamentally from other sectors in terms of margins, investment horizons, cash flow patterns, and exposure to consumer trends. Many current programmes were designed with manufacturing or technologically intensive SMEs in mind and do not reflect the operational realities of retail businesses. Overlapping compliance requirements and long funding timelines deter participation.

Policy design must better reflect retailers' business model. This includes streamlined eligibility criteria, faster approval processes, and smaller-scale, rapid-access instruments. Moreover, support should focus on building capabilities, such as digital strategy, customer experience design, and low-cost sustainability actions, rather than large capital investments alone.

A collaborative path forward

The success of retail SMEs in navigating the twin transition hinges on coordinated action across multiple levels and actors. EU institutions should continue to provide strategic direction, policy frameworks, and funding instruments. National governments play a key role in tailoring these tools to local market conditions, while local authorities, chambers, and trade associations serve as crucial bridges to the retail community.

At the same time, the active engagement of retail SMEs themselves is essential. Retailers must be empowered as co-creators, not merely recipients, of transition programmes, ensuring that future policies

are grounded in real-world needs and experiences. Establishing robust feedback loops between SME networks and policymakers can improve targeting, uptake, and ultimately impact of policies. With the right support architecture in place, Europe's retail SMEs can emerge as resilient, digitally enabled, and sustainable contributors to economic dynamism and social cohesion.

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Notes

[1] Given the distinct roles of wholesale and retail trade within the supply chain, the two sectors are investigated separately to better capture their unique dynamics and contributions. Additionally, to facilitate direct comparisons across time and space, the report presents unweighted averages for the EU, treating all countries equally rather than weighting by economic size. This approach ensures that smaller economies are not overshadowed by larger ones. However, it also means that aggregate trends mask the influence of countries that contribute disproportionately to EU-wide economic activity.

[2] This fragmented classification complicates the quantitative analysis of what the European Commission refers to as the "retail ecosystem", one of the 14 industrial ecosystems identified in its updated Industrial

Strategy (European Commission, 2021[112]). While the ecosystem perspective highlights functional complementarities across sectors, conventional sectoral statistics follow a different logic, treating these activities separately. As a result, headline business statistics may understate the ecosystem's overall economic weight and distort the picture of structural change, since many activities that are functionally integral to modern retail business models are counted in other sectors.

[3] Greenhouse gases include carbon dioxide, methane, nitrous oxide and fluorinated gases, often reported as CO_2-equivalent to combine their warming effects.

[4] While this surge may reflect sectoral expansion, its magnitude raises questions about potential reporting inconsistencies or changes in data collection methods.

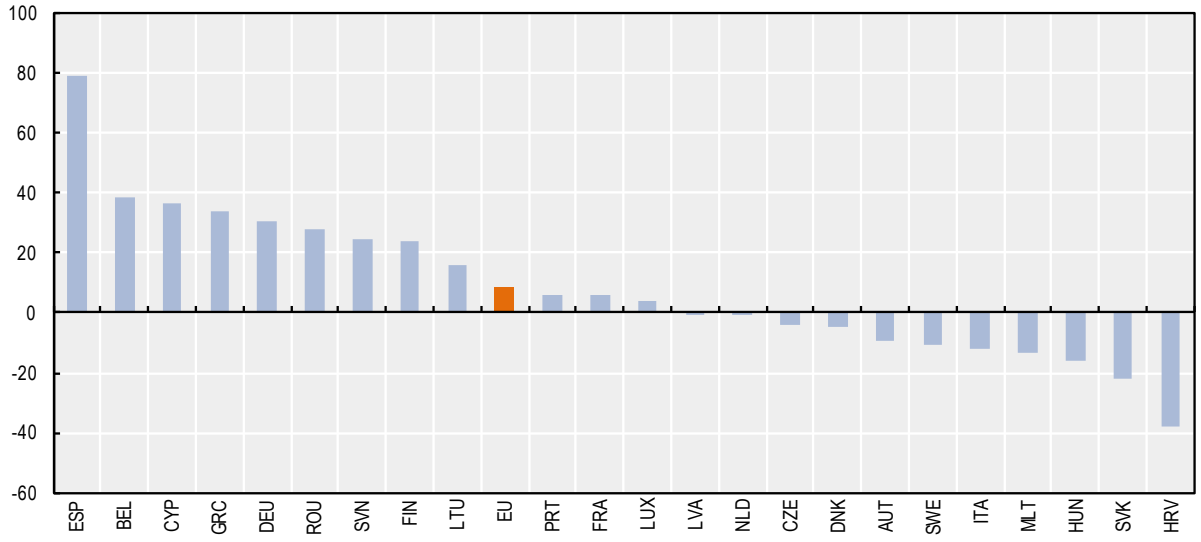
[5] These figures closely align with data from the ICT Access and Usage by Businesses database on the indicator 'percentage of business with a website' in the retail sector, which reports the following shares: Estonia, 69%; Spain, 63%; Italy, 60%; Hungary, 48%; and Romania, 39%.

[6] Another high-profile initiative, the Green Claims Directive, was initially proposed to tackle misleading environmental marketing by requiring companies to verify voluntary green claims through independent certification (European Commission, 2025[113]). However, amid growing political concern over the cumulative burden on smaller businesses, the Commission announced in mid-2025 its intention to withdraw or fundamentally revise the proposal, and negotiations were suspended.

Annex 2.A. Indicators on international trade

Annex Figure 2.A.1. There was a moderate increase in the number of exporting SMEs in wholesale

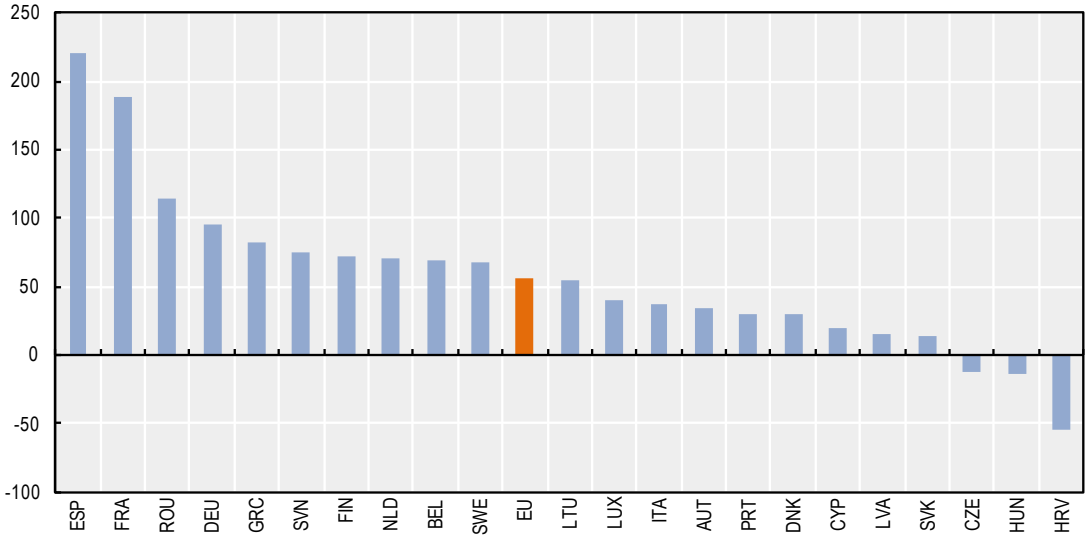
Percentage change in the number of exporting wholesale SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.2. Retail experienced a more substantial increase in the number of exporting SMEs compared to wholesale

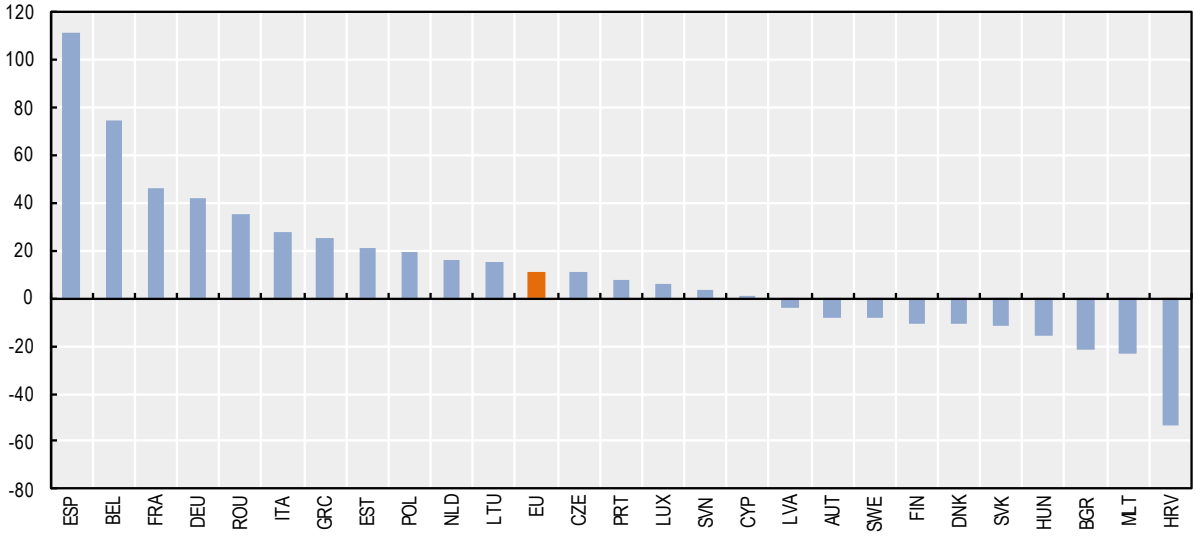
Percentage change in the number of exporting retail SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.3. The number of importing wholesale SMEs increased on average by 11% across the EU

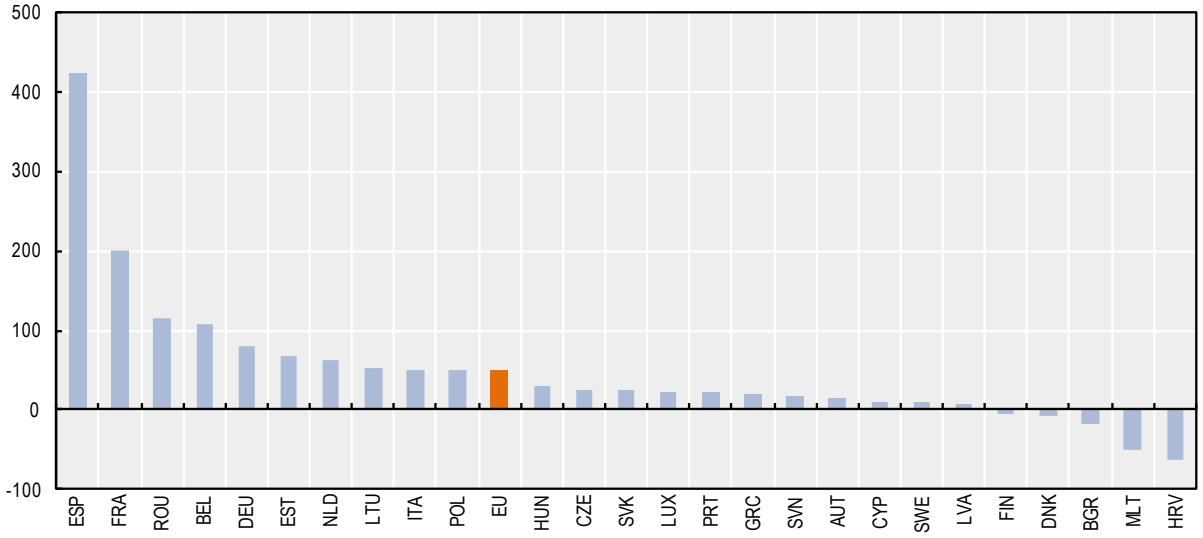
Percentage change in the number of importing wholesale SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.4. The number of importing retail SMEs increased by 49% on average across the EU

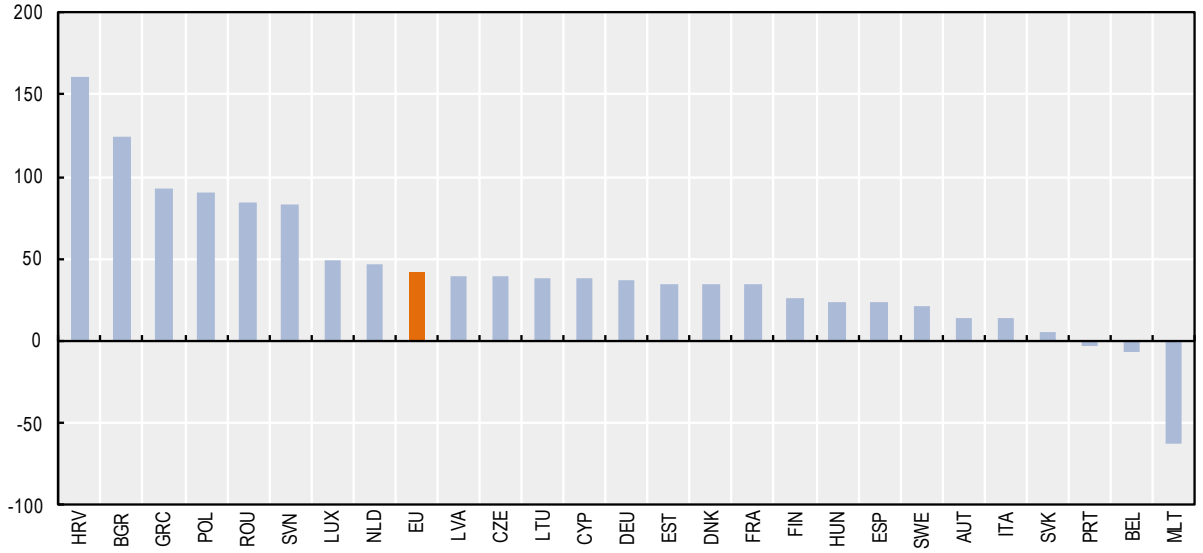
Percentage change in the number of importing retail SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.5. Wholesale SMEs' export value increased in most EU countries

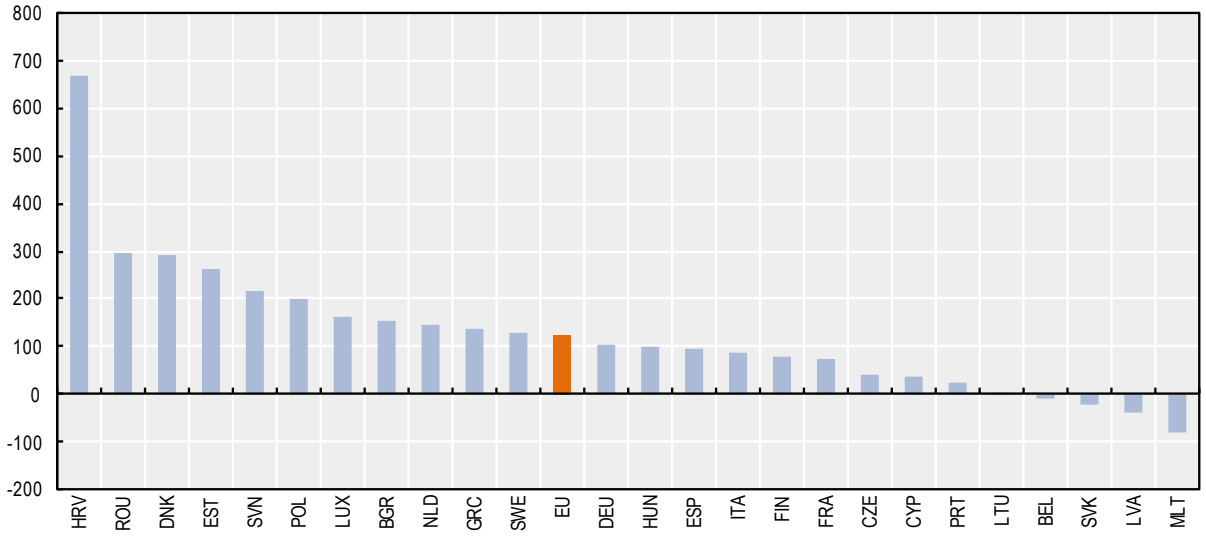
Percentage change in the value exported by wholesale SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.6. In most EU countries, the value exported by retail SMEs has risen

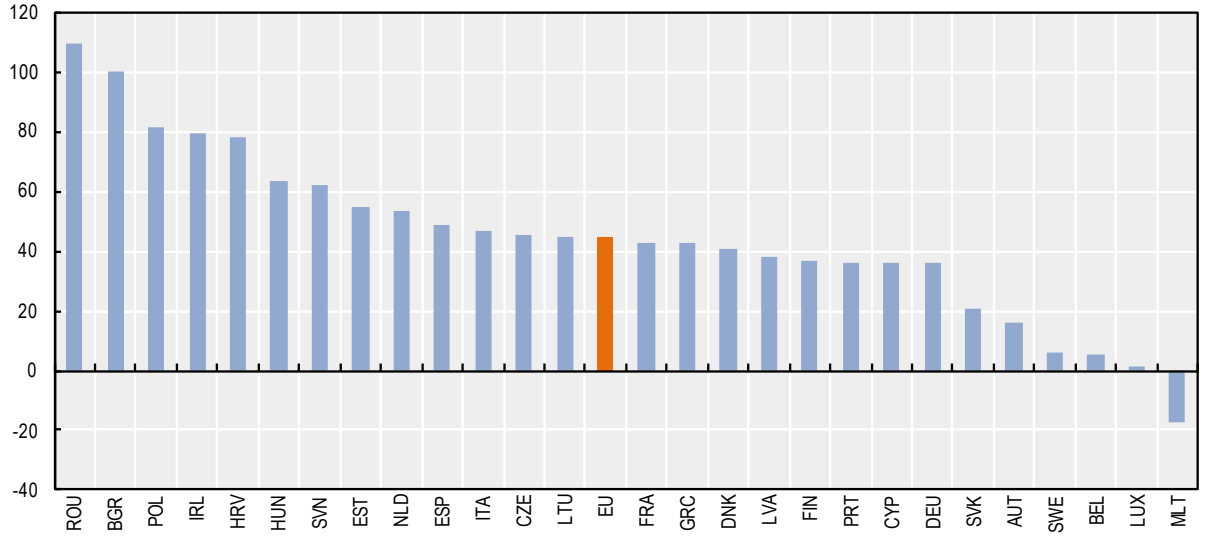
Percentage change in the value exported by retail SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

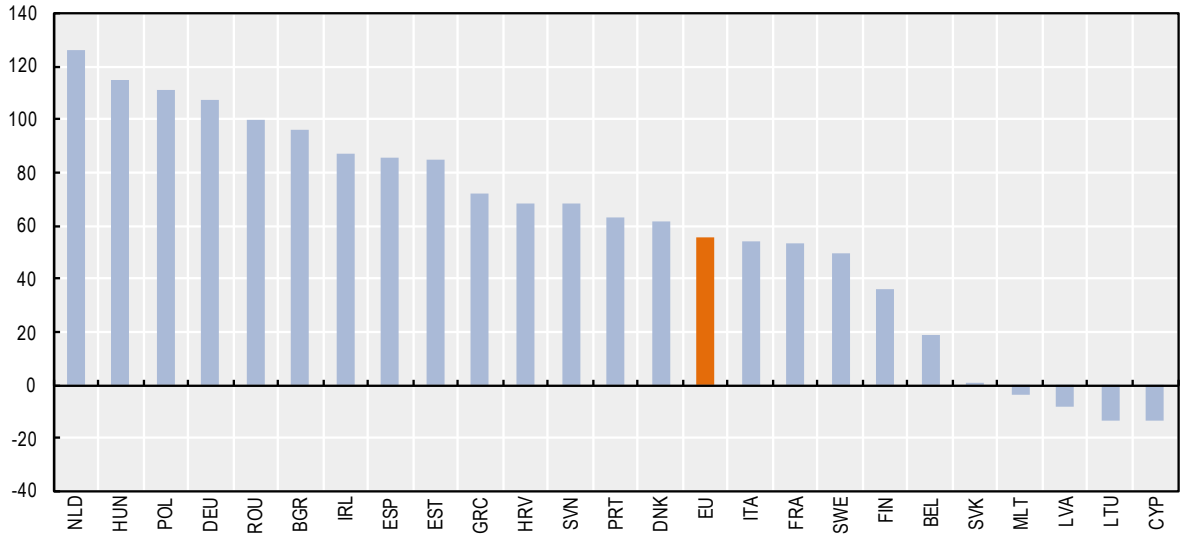
Annex Figure 2.A.7. Wholesale SME imports surged across most EU countries

Percentage change in the value imported by wholesale SMEs (%) between 2012 and 2022



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex Figure 2.A.8. The value of imports by retail SMEs grew in most countries



Note: Values are indexed to 100 in 2012 for each country, representing relative percentage change over the period.
Source: OECD TEC Database

Annex 2.B. Policy mapping

Annex Table 2.B.1. Selected national policies and strategies supporting the twin transition of retail SMEs

Classified by policy scope and type of support

Country	Policy	Institution	Scope	Type
Austria	KMU.DIGITAL	Federal Ministry of Labour and Economy (BMAW)	Digital & Green	Financial & Technical
Austria	KMU.E-Commerce	Federal Ministry of Labour and Economy (BMAW)	Digital	Financial
Austria	Accelerate GDT – Realign Cluster Policies to Accelerate the Twin Green and Digital Transitions	Austrian Federal Promotional Bank (AWS)	Digital & Green	Financial & Technical
Austria	Aws Green Frontrunner Programme	Austrian Federal Promotional Bank (AWS)	Green	Financial
Austria	Aws Energie & Klima	Austrian Federal Promotional Bank (AWS)	Green	Financial
Austria	Aws Digitalisierung	Austrian Federal Promotional Bank (AWS)	Digital & Green	Financial & Technical
Austria	TWIN Transition	Austrian Federal Promotional Bank (AWS)	Digital & Green	Financial
Austria	KMU.Cybersecurity	Austrian Federal Promotional Bank (AWS)	Digital	Financial
Belgium	Belgium's Recovery and Resilience Plan	Belgian Federal Government	Digital & Green	Financial & Technical
Belgium	Transition Acceleration Policy (TAP)	Belfius Bank	Digital & Green	Financial
Belgium	Dissemination and Sharing of Knowledge, Tools and Material	National Cybersecurity Coordination Centre (NCC)	Digital	Technical
Bulgaria	Smart Specialisation Strategy (S3)	Council of Ministers of Bulgaria	Digital & Green	Financial & Technical
Bulgaria	Research, Innovation and Digitalisation for Smart Transformation Programme 2021-2027	Ministry of Innovation and Growth	Digital & Green	Financial

Bulgaria	National Strategy for Small and Medium-Sized Enterprises 2021–2027	Ministry of Innovation and Growth	Digital & Green	Financial & Technical
Bulgaria	Competitiveness and Innovation in Enterprises Programme	Ministry of Innovation and Growth	Digital & Green	Financial & Technical
Croatia	Croatian Vouchers for Digitalisation	Ministry of Economy and Sustainable Development	Digital	Financial
Croatia	Supporting Digitalisation in Micro and SMEs (Digital Croatia Strategy 2032)	Ministry of Economy and Sustainable Development	Digital & Green	Financial
Croatia	Grants for Digitalisation	Croatian Agency for SMEs, Innovation and Investments (HAMAG BICRO)	Digital	Financial
Croatia	HBOR Direct Loans for Special SME Segments	Croatian Bank for Reconstruction and Development (HBOR)	Digital & Green	Financial
Croatia	Improving Competitiveness and Efficiency of SMEs through ICT Programme	Croatian Agency for SMEs, Innovation and Investments (HAMAG BICRO)	Digital	Financial
Cyprus	Supporting Competitiveness and Innovation Potential of SMEs	Ministry of Finance (Directorate General Growth)	Digital	Financial
Cyprus	THALIA Programme (Foundations of Change, Prosperity, Equality and Development)	Ministry of Finance (Directorate General Growth)	Digital & Green	Financial & Technical
Cyprus	Digital Upgrade Scheme for Businesses – 3rd Call (2025)	Ministry of Energy, Commerce & Industry	Digital	Financial
Cyprus	Cyprus Recovery and Resilience Plan – Axis 2. Accelerated transition to a green economy	Ministry of Energy, Commerce & Industry	Green	Financial
Cyprus	Scheme for Circular Economy in SMEs	Ministry of Finance (Directorate General Growth)	Green	Financial
Czech Republic	Digitální Podnik (Digital Enterprise)	Ministry of Industry and Trade	Digital	Financial
Czech Republic	Platform for the Digitalisation of the Economy	Digital Office of the Government of the Czech Republic	Digital	Financial & Technical
Czech Republic	Operational Programme Enterprise and Innovation for Competitiveness	Ministry of Industry and Trade	Digital & Green	Financial
Czech Republic	The Country for the Future	Ministry of Industry and Trade	Digital & Green	Financial
Czech Republic	SME Support Strategy 2021-2027	Ministry of Industry and Trade	Digital & Green	Financial & Technical

Czech Republic	Reaping the Benefits of Digitalisation for Citizens, Companies, Research Organisations and Public Authorities	Ministry of Industry and Trade	Digital	Financial
Denmark	Operational Programme Environment	Danish Energy Agency (Ministry of Climate, Energy and Supply)	Green	Financial
Denmark	SMV:Digital	Danish Agency for Digital Government	Digital	Financial & Technical
Denmark	Project GREEN	Danish Business Authority	Green	Financial & Technical
Denmark	Flex Funding guarantee agreement with the European Investment Fund (EIF) via “Flex Garanti II ApS”	Flex Funding A/S	Other	Financial
Denmark	Innobooster - Innovation Fund Denmark (Innovationsfonden)	Innovation Fund Denmark	Digital & Green	Financial & Technical
Denmark	IoT-Driven Business Design - Digitalising Businesses and Society	Danish Agency for Higher Education and Science	Digital & Green	Technical
Denmark	European Regional Development Fund 2021-2027 Denmark	Danish Board of Business Promotion, Recommendation Committee for Sustainable Urban Development	Digital & Green	Financial & Technical
Estonia	Support for the digital transformation of companies	Estonian Business and Innovation Agency	Digital	Financial
Estonia	Grow as a Business	Estonian Business and Innovation Agency	Digital	Financial & Technical
Estonia	Enterprise Estonia - European Investment Fund Agreement	Enterprise Estonia (EIS) and the European Investment Fund (EIF)	Digital & Green	Financial
Estonia	Purchase of Zero-Emission Vehicles	Ministry of Climate	Green	Financial
Finland	Climate and Environmental Loan	Finnvera	Green	Financial
Finland	Digitalisation and Innovation Loan	Finnvera	Digital	Financial
Finland	Sustainable Growth Programme	Ministry of Economic Affairs and Employment	Digital & Green	Financial
Finland	Climate Community – Finland Chamber of Commerce	Finland Chamber of Commerce	Green	Technical
Finland	Business Finland Missions	Business Finland	Digital & Green	Technical
France	Programme de reconquête en zone rurale	DGE / Agence nationale de la cohésion des entreprises	Digital & Green	Financial
France	Diag Éco-Flux	ADEME	Green	Technical

France	Prêt Vert	Bpifrance	Green	Financial
France	Communauté du Coq Vert	Bpifrance	Green	Technical
France	Volontariat Territorial en Entreprise (VTE)	ADEME	Green	Financial
France	Diag Décarbon'Action	Bpifrance	Green	Technical
France	Accélérateur Décarbonation	ADEME	Green	Technical
France	Tremplin pour la transition écologique des PME	ADEME	Green	Financial
France	L'ADEME Académie	ADEME	Green	Technical
France	ACT (Accelerate Climate Transition)	ADEME	Green	Technical
France	Green Guarantee	Bpifrance	Green	Technical
France	Aid for the Ecological Transition of SMEs	Ministry of Economics and Finance	Green	Financial and Technical
France	Climatomètre	ADEME	Green	Technical
France	Le Parcours Energie	Bpifrance	Green	Technical
France	Diag Ecoconception	Bpifrance	Green	Technical
France	Prêt Action Climat	Bpifrance	Green	Financial
France	Accompagnement Écoconception	ADEME	Green	Financial and Technical
France	Missions de Conseil	Bpifrance	Digital & Green	Technical
France	France Num: Aide à la Transformation Numérique des TPE/PME	General Directorate for Enterprises	Digital	Financial and Technical
France	Prêt Transformation Numérique	Bpifrance	Digital	Financial
France	Mission Transition Écologique	Ministry of Economics, Finance and Industrial and Digital Sovereignty	Green	Technical
France	Le fonds de restructuration des locaux d'activité	Agence Nationale de la Cohésion des Territoires (ANCT)	Digital & Green	Financial
France	Action Coeur de Ville	Agence Nationale de la Cohésion des Territoires	Digital & Green	Financial and Technical
France	Network of Chambers of Commerce and Industry	CCI France	Digital & Green	Technical
Germany	Mittelstand-Digital Zentrum Handel	Federal Ministry for Economic Affairs and Energy (BMWE)	Digital	Technical
Germany	go-digital	Federal Ministry for Economic Affairs and Energy (BMWE)	Digital	Financial

Germany	Digital Now - Investment Grant for SMEs	Federal Ministry for Economic Affairs and Energy (BMWE)	Digital	Financial
Germany	SME Initiative for Energy Transition and Climate Protection	Federal Ministry for Economic Affairs and Energy (BMWE)	Green	Technical
Germany	Climate Action Campaign for SMEs	German Development Bank (KfW)	Green	Financial
Germany	Module 3 BAFA Subsidy	Federal Office of Economics and Export Control	Green	Financial
Greece	Digitalisation of Business: Digital Transformation of SMEs	Ministry of Digital Governance	Digital	Financial
Greece	Green Transition of SMEs Action Package	National Bank of Greece	Green	Financial
Greece	Digital Transformation of SMEs Action Package	National Bank of Greece	Digital	Financial
Greece	Green Co-Financing Loan Fund	Hellenic Development Bank SA (HDB)	Green	Financial
Greece	Digitalisation Co-Financing Loans	Hellenic Development Bank SA (HDB)	Digital	Financial
Hungary	Supporting the Innovation Capacity of SMEs (GINOP)	Ministry of Finance	Green	Financial
Hungary	Digital Renewal Operational Programme Plus (DIMOP Plus)	Government Information Technology Development Agency	Digital	Technical
Hungary	Modern Enterprises Programme	Government Information Technology Development Agency	Digital	Technical
Hungary	Digital Development of SMEs	Ministry of Finance	Digital	Financial
Hungary	Green SME initiatives	Ministry of Finance	Green	Financial
Hungary	Digital and Green SME Investments	Ministry of Finance	Digital and Green	Financial
Hungary	Economic Development and Innovation Operational Programme (EDIOP Plus)	Ministry of Finance	Digital and Green	Financial and Technical
Hungary	VOUCHER: Energy Efficiency Improvements	Hungarian Economic Development Agency (MGFÜ)	Green	Technical
Hungary	Every Business Should Have Its Own Website (Sándor Demján Programme)	Ministry for National Economy	Digital	Financial
Ireland	Energy Efficiency Grant	Local Enterprise Offices (LEOs)	Green	Financial
Ireland	Green for Business	Enterprise Ireland	Green	Technical

Ireland	Climate Action Voucher	Enterprise Ireland	Green	Financial
Ireland	Access Advice: GreenStart	Enterprise Ireland	Green	Financial and Technical
Ireland	GreenPlus	Enterprise Ireland	Green	Financial
Ireland	Digital for Business	Local Enterprise Offices (LEOs)	Digital	Financial and Technical
Ireland	Grow Digital Voucher	Local Enterprise Offices (LEOs)	Digital	Financial
Ireland	Green Transition Finance	Strategic Banking Corporation of Ireland (SBCI)	Green	Financial
Ireland	Digital Process Innovation	Enterprise Ireland	Digital	Financial
Ireland	Digital Marketing Capability	Enterprise Ireland	Digital	Financial
Ireland	Operational Excellence	Enterprise Ireland	Digital	Financial
Ireland	Cyber Security Review	Enterprise Ireland	Digital	Financial
Ireland	Cyber Security Improvement Grant	National Cybersecurity Coordination and Development Centre (NCC-IE)	Digital	Financial
Ireland	Regional Enterprise Transition Scheme	Enterprise Ireland	Digital and Green	Financial
Ireland	All Ireland Climate Action Pilot Programme for SMEs	Department of Enterprise, Trade & Employment	Green	Technical
Ireland	Green Enterprise: Innovation for a Circular Economy	Environmental Protection Agency (EPA)	Green	Financial
Italy	Support to SMEs for Self-Production from Renewable Energy Sources	Ministry of Enterprises and Made in Italy (MIMIT)	Green	Financial
Italy	Sustainable Investments 4.0 – PN RIC 21-27	Invitalia	Digital & Green	Financial
Italy	Incentivo per la Trasformazione Digitale delle PMI	Invitalia	Digital	Financial
Italy	Transition Plan 5.0	Italian Government (Ministry of Enterprises and Made in Italy)	Digital & Green	Financial & Technical
Italy	PID – Punto Impresa Digitale	Ministry of Economic Development	Digital	Financial & Technical
Latvia	Latvia's National Recovery and Resilience Plan	Government of Latvia	Digital & Green	Financial & Technical
Latvia	Innovation Voucher Support Instrument	Investment and Development Agency of Latvia (LIAA)	Other	Financial & Technical
Latvia	BluOr Bank Green Financing for SMEs	European Investment Fund (EIF) and BluOr Bank	Green	Financial
Latvia	Support for Digitalisation of	Investment and Development	Digital	Financial

	Processes in Commercial Activities	Agency		
Lithuania	Innovation Vouchers Programme	Agency for Science, Innovation and Technology (MITA) and Ministry of Economy and Innovation	Digital & Green	Financial & Technical
Lithuania	INVEGA loan guarantee and guaranteed leasing instruments (JSC INVEGA)	Investment and Business Guarantees (INVEGA)	Other	Financial
Lithuania	Boosting Green Innovation	Ministry of Economy and Innovation	Green	Financial & Technical
Lithuania	Funding Call for Digital Activities of Enterprises	Ministry of the Economy and Innovation	Digital	Financial
Lithuania	Innovation, Business Development, and SMEs Programme	Agency for Science, Innovation and Technology (MITA)	Green	Financial & Technical
Luxembourg	LetzShop	Ministry of the Economy	Digital	Technical
Luxembourg	SME Packages – Digital & Sustainability	Ministry of the Economy	Digital & Green	Financial
Luxembourg	Aide à l'innovation en faveur des PME	Ministry of the Economy	Digital	Financial
Luxembourg	Aide à la primo-création d'entreprise	Ministry of the Economy	Other	Financial
Luxembourg	Fit 4 Digital Programme	Luxinnovation	Digital	Financial
Malta	Digitalise Your Business and Digitalise Your Micro Business Schemes	Ministry for the Economy, European Funds and Lands	Digital	Financial
Malta	Malta Enterprise Incentive Schemes	Malta Enterprise	Digital & Green	Financial & Technical
Malta	EERE (Energy Efficiency & Renewable Energy) Fund of Funds	European Investment Fund (EIF)	Green	Financial
Malta	SME Digitalisation Grant Scheme & Digital Intensification Scheme	Government of Malta	Digital	Financial
Malta	SME Fund (EUIPO)	European Union Intellectual Property Office (EUIPO) and Malta's Commerce Department	Digital	Financial
Malta	Smart Sustainable Investment Grant	Malta Enterprise	Digital & Green	Financial
The Netherlands	Green and Digital Jobs Action Plan	Ministry of Economic Affairs of the Netherlands	Digital & Green	Financial & Technical
The Netherlands	MKB!dee	Ministry of Economic Affairs and Climate Policy (EZK)	Digital & Green	Financial & Technical

The Netherlands	Digital Economy Strategy	Ministry of Economic Affairs and Climate Policy	Digital	Financial & Technical
The Netherlands	My Digital Business	The Netherlands Enterprise Agency (RVO)	Digital	Financial
The Netherlands	SME-credit scheme Green (BMKB-Green)	The Netherlands Enterprise Agency (RVO)	Green	Financial
The Netherlands	Accelerating Digitalisation in the SME Sector	Ministry of Economic Affairs and Climate Policy (EZK)	Digital	Technical
Poland	BGK Investment Loan	Polish Development Bank	Digital & Green	Financial
Poland	Smart Track calls under European Funds for a Modern Economy (FENG)	Polish Agency for Enterprise Development (PARP)	Digital & Green	Financial & Technical
Poland	Dig.IT in Poland	Industrial Development Agency (ARP) and the Government of Poland	Digital	Financial & Technical
Poland	Poland's Cluster Action For Ecosystem Innovation Network (CAFEIN)	Klastry Polskie (Polish Clusters Association) and the Polish Agency for Enterprise Development (PARP)	Digital & Green	Financial & Technical
Poland	Circular Economy Grant Scheme	Polish Agency for Enterprise Development (PARP)	Green	Financial
Portugal	Digital Commercial Neighbourhoods	Agency for Competitiveness and Innovation (IAPMEI)	Digital and Green	Financial & Technical
Portugal	Coaching 4.0 – Supporting Business Models for Digital Transition	Portugal Digital (EMPD)	Digital	Financial & Technical
Portugal	Vale Indústria 4.0 (Industry 4.0 Vouchers)	Agency for Competitiveness and Innovation (IAPMEI)	Digital	Financial
Portugal	Programa Comercio Digital (Digital Commerce Programme)	Ministry of Economy and Maritime Affairs	Digital	Technical
Portugal	Mini Agendas	Ministry of Economy	Digital	Financial
Portugal	Vouchers for Startups – New Green and Digital Products	Startup Portugal, Portugal Digital, and the Agency for Competitiveness & Innovation	Digital & Green	Financial
Portugal	Internationalisation via E-Commerce	Portugal Digital (EMPD)	Digital	Financial
Romania	Romania's National Recovery and Resilience Plan (PNRR)	European Commission and Romanian Digitalisation Authority	Digital & Green	Financial & Technical

Romania	Financing Projects for the Digitalisation of SMEs through EDIHs	Ministry of European Projects and Investments	Digital	Financial
Romania	IMM INVEST	Fondul Național de Garantare a Creditelor pentru IMM-uri (FNGCIMM)	Digital & Green	Financial
Romania	Start-up Nation - National SME/Start-Up Grants	The Government of Romania and Ministry of Entrepreneurship and Tourism (AIMMAIPE)	Digital & Green	Financial & Technical
Romania	Digitalisation of SMEs	Ministry of European Projects and Investments	Digital	Financial
Slovenia	Strategy of Digital Transformation of the Economy	Ministry of the Economy, Tourism and Sport	Digital	Technical
Slovenia	Slovenian Industrial Strategy	Government of the Republic of Slovenia, and the Ministry of Economic Development and Technology	Digital & Green	Financial & Technical
Slovenia	Incentives for the digital transformation of SMEs (P4D 2025)	Ministry of Cohesion and Regional Development	Digital & Green	Financial & Technical
Slovenia	SID Bank / EIF Guarantee Agreement for SID GREEN and SID DIGITAL Programmes	SID Bank in partnership with EIF	Digital & Green	Financial
Slovenia	Slovenian Vouchers for Digitalisation	Ministry of Economic Development and Technology	Digital	Financial
Spain	Connected Commerce Platform	Ministry of Economy, Trade and Business	Digital	Technical
Spain	Digital Kit Programme	Ministry of Economic Affairs and Digital Transformation	Digital	Financial
Spain	SME Connectivity Voucher	Ministry of Economic Affairs and Digital Transformation	Digital	Financial
Spain	SME Digitalisation Plan 2021-2025	Ministry of Economic Affairs and Digital Transformation	Digital	Financial & Technical
Spain	Technological Fund	Ministry of Economy, Trade and Business	Digital and Green	Financial
Spain	Sustainable Markets in Rural Areas	Ministry of Economy, Trade and Business	Green	Financial

Note: The table does not indicate the period of activity or current status of each initiative; some are included based on recent relevance despite no longer being in effect.

3 Addressing labour and skills shortages in Europe's retail sector

Europe's retail sector is a major employer, particularly for SMEs, but faces slow employment growth, skills gaps and labour shortages. Jobs are shifting towards digital and back-end roles as e-commerce expands, but interpersonal and customer-facing skills remain crucial. Retail lags other sectors in advanced digital recruitment and ICT skill demand, limiting access to talent. Flexible contracts and lower qualification requirements provide entry opportunities but also contribute to job insecurity and high turnover. To adapt to digital and green transitions, tailored skills programmes, improved job quality and coordinated action by employers, social partners and policymakers are essential

European retail needs to respond to global trends

The European retail sector faces various challenges that affect its employment landscape and economic sustainability. The rapid rise of e-commerce, accelerated by the COVID-19 pandemic, has fundamentally disrupted traditional retail models, while simultaneously reducing physical store footfall. The shift towards widespread teleworking has further diminished city-centre retail traffic, compounding the sector's challenges. Concurrently, the cost-of-living crisis has compressed consumer spending, forcing retailers to navigate increasingly narrow profit margins. These converging pressures are reshaping the retail employment ecosystem, demanding innovative strategies to maintain workforce resilience and sector competitiveness in an increasingly digital and volatile economic environment.

As a labour-intensive sector central to Europe's economic output and job creation, the future of European retail hinges on addressing its employment challenges. While technology is poised to streamline retail operations and boost productivity, it cannot fully replace the human element, likely resulting in a growing blending of brick-and-mortar and online shopping rather than a complete shift to the latter. Therefore, integrating technology to support rather than diminish human roles will be crucial for maintaining the sector's vitality amidst growing labour shortages.

Europe is navigating the twin transition, a term encapsulating the dual challenges and opportunities of the digital and green transformations. This critical juncture is characterized by the widespread adoption of digital technologies and a gradual shift towards sustainable practices. European countries are confronted with the imperative to design and implement policies to drive digitalisation efforts to sustain growth, competitiveness, and resilience, while tackling pressing environmental risks. The twin digital and green transitions demand strategic responses with profound implications for industries, labour markets, and broader societal structures.

The retail sector stands at the forefront of these simultaneous transformations of the European economy. Retail represents the largest industrial ecosystem in the EU, accounting for 11.5% of value added, employing nearly 30 million people, and serving 450 million EU consumers on a daily basis (European Commission, 2024[1]). On average, these consumers spend one third of their household budget in retail shops. Due to such a central role in the European economy, the extensive interaction with consumers, and the substantial environmental footprint of their supply chain, retailers are uniquely positioned to influence and be influenced by the shifts towards digitalisation and sustainability. In other terms, the retail sector is a critical player in Europe's ambition to lead in these areas.

The retail sector is an important employer in Europe, meaning that these transitions will impact many workers. In 2020, retail trade accounted for 12% of the business economy (Eurostat, 2023[2]). Sales workers make up the bulk of occupations in retail and wholesale trade, at 41% (CEDEFOP, 2024[3]). Often, retail establishments serve as the first employer for young people, as well as those re-entering the labour market following a period of leave. For example, 62% of sales workers are women (CEDEFOP, 2023[4]). Already, labour shortages in the sector are a challenge – in a 2022 survey of over 500 business leaders across North America, Europe, Asia, and Australia, 63% of retail companies reported operating with a frontline employee deficit (Workjam, 2023[5]). While many of these jobs are low-paid and require relatively low levels of education, cross-country and cross-employer differences in retail job quality suggest there are ways to improve working conditions (Carré and Tilly, 2020[6]).

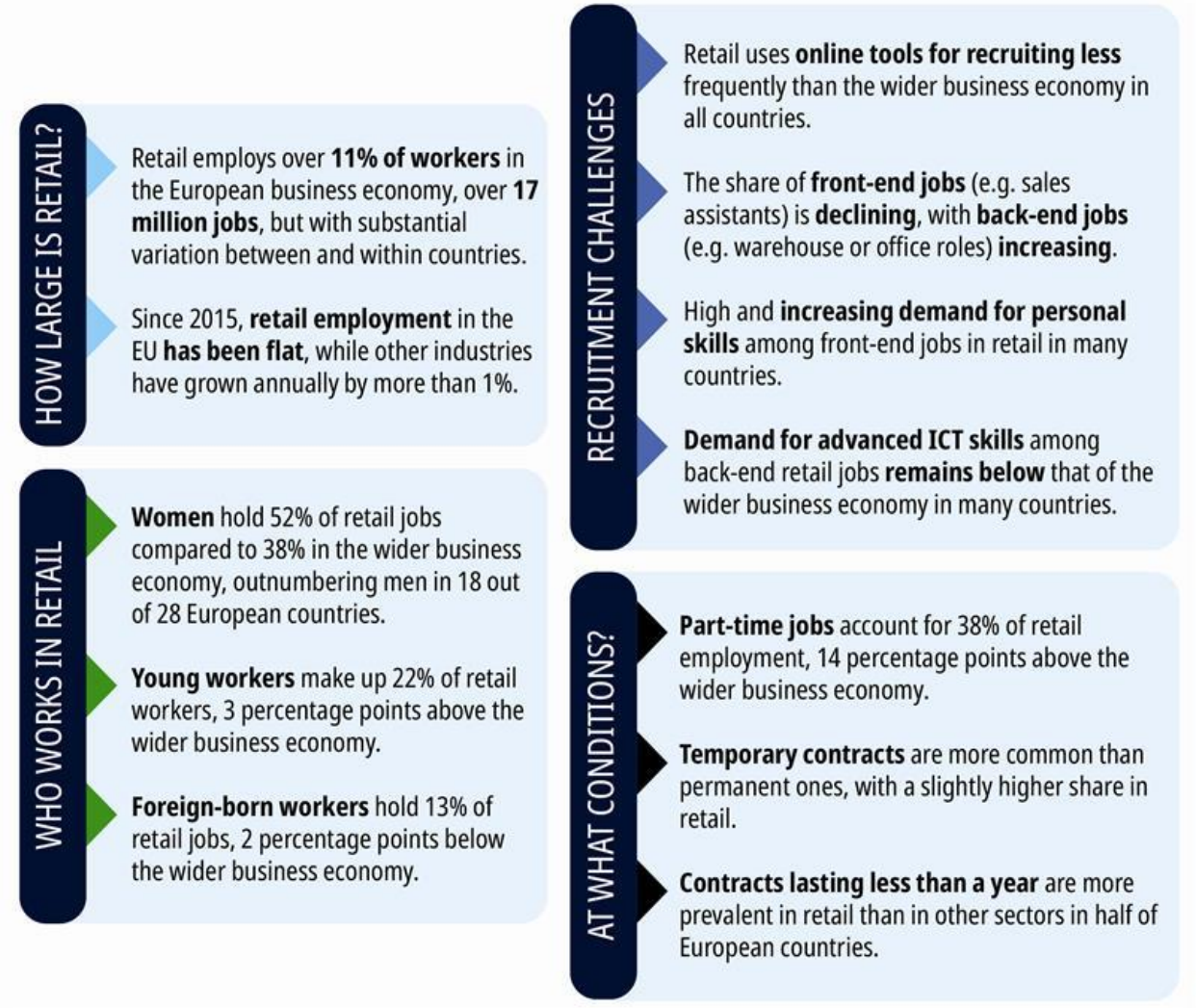
In recent years, the retail sector has experienced a profound transformation, driven by the emergence of digital technologies and markedly accelerated by the COVID-19 pandemic. This process has also charted new courses for the future development of the sector, redefining how retailers operate and how consumers shop (Grewal, Roggeveen and Nordfält, 2017[7]; Ratchford et al., 2023[8]). The rise of e-commerce, digital payment systems, social media marketing, and many other innovations and technological advancements, have reshaped traditional business models, prompting traditional retailers to adopt multi-channel or omni-channel strategies (Verhoef, Kannan and Inman, 2015[9]; Ailawadi and Farris,

2017[10]; Gauri et al., 2021[11]). This shift has introduced a dual-edged scenario for the retail ecosystem, unlocking unprecedented growth opportunities for some actors while simultaneously presenting complex challenges and even existential threats to others. Digital platforms such as virtual marketplaces have expanded market reach and accessibility, leading to increased price competition and consumer choice (Brynjolfsson, Hu and Smith, 2003[12]; Goldfarb and Tucker, 2019[13]). However, the digital transformation also poses risks for physical stores and the broader concept of 'high streets', requiring retailers of all sizes to innovate strategically and adapt to changing consumer behaviours (Breugelmans et al., 2023[14]; Szocs et al., 2023[15]).

Shifting consumer preferences of retailers can also impact the evolution of the sector. Occupying a central role in the distribution of products and engaging directly with customers, they have the power to shape consumer behaviour (Bain & Company, 2022[16]). This might be done by setting stringent environmental standards for suppliers or by rewarding those who meet or exceed these benchmarks. This approach recognises different levels of ambition: some retailers may aim to minimize risk and comply with evolving regulations, while others may strive to go beyond minimum standards and build a reputation for excellence in this area. Remarkably, major retailers widely agree that the onset of the COVID-19 pandemic increased the urgency of pursuing sustainability actions (McKinsey & Company, 2021[17]). In parallel, consumers in the EU seem to increasingly expect sustainability as a norm (EuroCommerce - McKinsey, 2025[18]), and digital tools might facilitate access to sustainability-related product information: visual clues on e-commerce websites (e.g., labels, ratings, filtering options), online marketplaces for second-hand goods, as well as new initiatives such as the Digital Product Passport (DPP) (OECD, 2025[19]). However, concerns have emerged about the reliability of sustainability information provided through digital tools and technologies, and especially through Generative AI tools which might provide unsupported or unverifiable claims (OECD, 2025[20]). This is also reflected in the OECD Recommendation on Consumer Protection in E-Commerce (OECD, 2024[21]).

Employment trends in European retail

Figure 3.1. Employment trends in the European retail sector



The retail sector refers to the part of the economy that involves selling goods and services directly to consumers. Retail businesses often purchase products from manufacturers or wholesalers and then sell them to the public, either through physical stores (brick-and-mortar shops) or online platforms (e-commerce). This sector includes a wide range of businesses, from small independent shops to large multinational chains, covering products such as clothing, electronics, food and household items, as well as services like repairs and personal care.

Box 3.1. Defining and measuring employment in the retail sector

One of the primary data sources used in this chapter is the European Labour Force Survey (EU-LFS), which does not directly identify workers in the retail sector in the data files available to the OECD. Instead, retail is part of the broader category "Wholesale and retail trade; repair of motor vehicles and motorcycles" (NACE Rev. 2, sector G). At least two-digit industry codes are required in employment data to isolate retail (G47) from wholesale (G46) and motor vehicle sales and repair (G45).

To address this issue, online job vacancy data is used to allocate employment across occupations from the aggregate sector G to its three subsectors. For example, job advertisements for shop assistants are more commonly associated with retail than with wholesale or motor vehicle repair. Therefore, the percentage of job ads for shop assistants in the retail sector serves as a proxy for the share of employment of shop assistants in sector G working in retail. By applying this method for each occupation in each region, and limiting it to a single period, known biases and limitations related to using online job postings to estimate employment across industries, locations, and time are minimised (Vermeulen and Gutierrez Amaros, 2024[22]). Annex 3.A provides further details on data and methods.

In this chapter, the term "overall business economy" is used to compare employment trends in the retail sector with those in other sectors. This category includes the retail sector and excludes agriculture, public administration and public services (e.g. education, healthcare), formally covering NACE Rev. 2 codes B to N (or those starting with the digits 05 to 82).

How big is the retail sector?

The Eurostat yearbook gives 12.7% of non-financial business economy in 2020, based on Eurostat national accounts data (Eurostat, 2023[2]) (Eurostat Table nama_10_a64_e).[a] Using the same data, retail sector employment share as percentage of the non-financial business economy decreased from 13.3% in 2015, to 12.7% in 2020, and to 12.4% in 2022. In terms of the business economy[b] used in this chapter, shares are 12.8% (2015), 12.3% (2020) and 12.0% (2022).

While the EU-LFS allows the calculation of the size of the retail sector in the business economy directly, the numbers will deviate from those in the national accounts. First, the national accounts data is based on various national data sources and country level methods. The sources may include the labour force survey, but also include others for the purpose of estimating the various indicators of the national accounts. Secondly, the retail sector employment in the labour force survey is estimated as described above. Therefore EU-LFS based estimates on the retail sector employment share are harmonised to those of the available national accounts data by scaling EU-LFS percentage to that of the national accounts at the national level. For countries where national accounts do not provide 2023 numbers yet, the adjustment figure for 2022 is used. The resulting estimate of the EU share of retail workers in the business economy in 2023 is 11.3%.

Notes:
a. The non-financial business economy is sectors B-J, L-N and 95, where sector 95 is repair of computers and personal and household goods.
b. The business economy is defined as B-N.

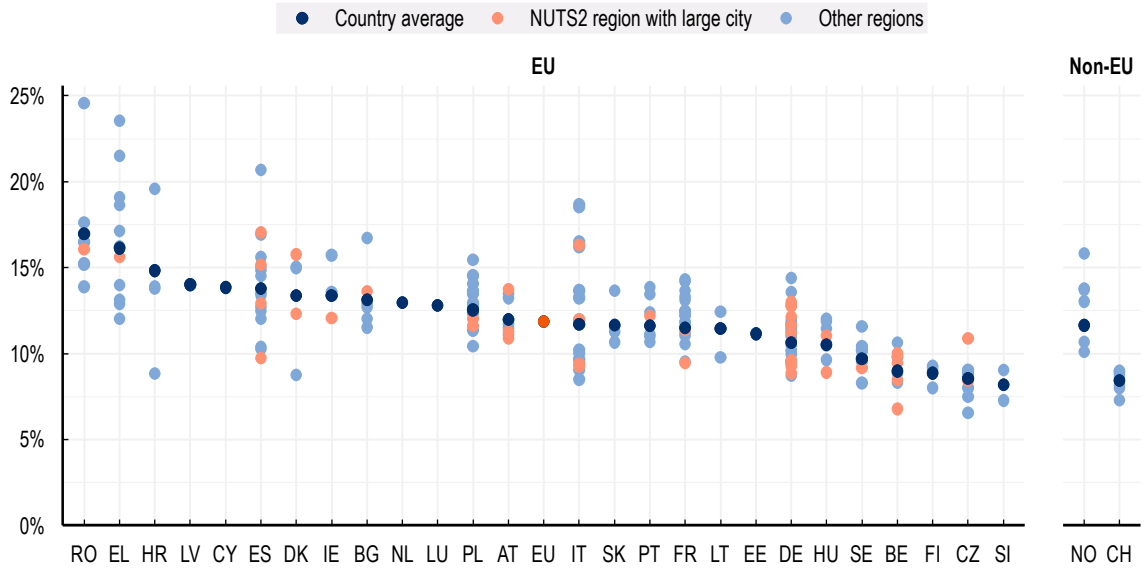
Comparable international statistics on employment in the retail sector are not always readily available, especially at the regional level and for different types of workers. This chapter presents new statistics on employment in the retail sector across regions, firms and worker characteristics using a novel approach that combines micro-data from the European Labour Force Survey (EU-LFS) with detailed data from online job postings. Box 3.1 provides additional background on this method and the identification of the retail sector in empirical sources.

Employment trends and a tightening labour market

Retail accounts for over 11% of employment in the EU business economy in 2023, representing around 17 million workers,[1] with the share of employment varying significantly both between and within countries. In about two-thirds of EU countries with available data (18 out of 26), including the EU's five most populous countries,[2] the share ranges between 10% and 15% (Figure 3.2). No clear relationship is evident between a country's income levels or geographic location and the share of retail employment. For instance, high-income per capita countries like the Netherlands and Luxembourg rank significantly above and below the EU average, respectively. Similarly, countries from Central and Eastern Europe appear on both ends of the distribution. In several cases, regional variations within countries are striking. For example, in France, Greece and Spain, the gap between the region with the highest share of retail employment and the one with the lowest exceeds 15 percentage points. In Belgium, Germany, Italy and Romania, the gap exceeds 10 percentage points. These differences potentially reflect the presence of diverse regional economies – tourism-heavy areas contrasted with those where farming and manufacturing play a more prominent role.

Figure 3.2. Retail is a significant employer across Europe, with wide regional variation in several countries

Employment share of retail sector in the overall business economy (B-N), 2023.



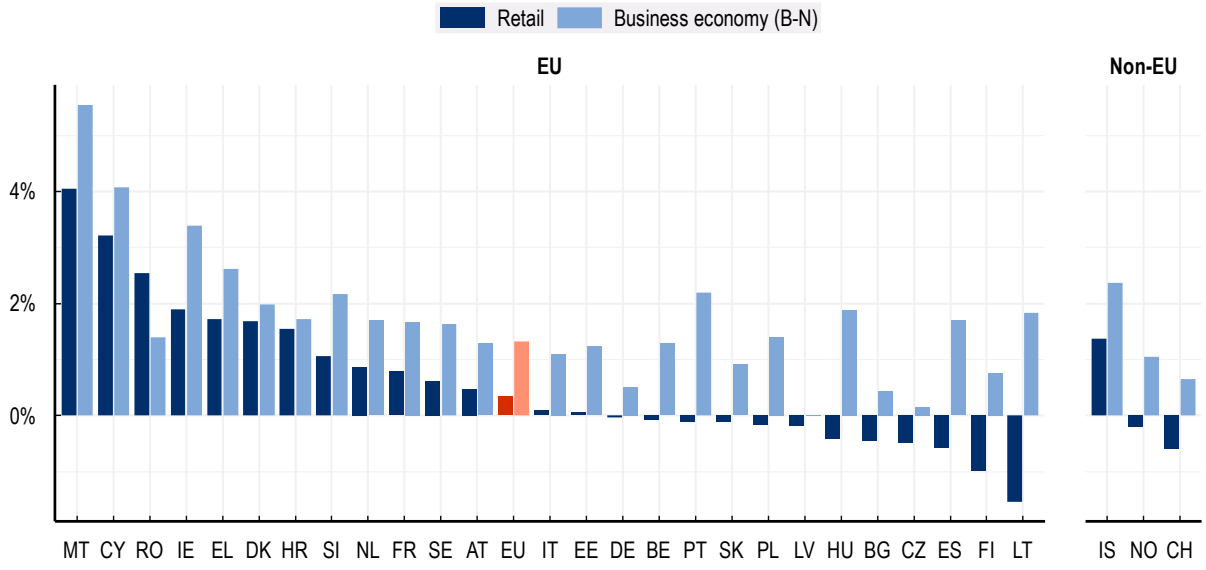
Note: EU represents the weighted (national) average among the EU27 (2020) with available data.
Source: Based on EU LFS, National accounts and Lightcast.

Regions with large cities do not always have a higher employment share in retail relative to regions without a large city. For instance, in Italy, Belgium, Denmark, Germany and Spain, regions with large cities are both above and below their national average. In Czechia, regions with large cities are above the national average in retail employment, but in Poland, such regions are below the national average.

Since 2015, retail employment in the EU grew by less than 0.5 percent per year, compared with more than 1 percent per year in other sectors. The business economy outpaced retail in all member states except Romania (Figure 3.3). About half of the observed countries experienced growth – either positive or negative – of less than one percentage point, and only two recorded an increase of over two percentage points. The number of countries with positive growth matched those with negative growth, with no clear patterns related to size or GDP per capita level. For instance, higher-income per capita EU countries, such as Denmark, the Netherlands and Finland, showed both growth and decline in retail employment rates. A discernible trend, however, is that most Central and Eastern European countries experienced a decline, while larger member states tended to show smaller changes, whether positive or negative.

Figure 3.3. Retail employment growth has been flat in Europe since 2015, lagging behind other sectors

Annualised employment growth rate by sector, 2015 until last year available (2022-2024).



Note: EU represents the weighted (national) average among the EU27. For DE, DK, ES, EU, LT, LV, NO, PT, RO and SE, last year is 2022. For AT, BE, BG, CY, CZ, EE, EL, FR, HR, HU, IE, IT, PL, SI and SK, last is 2023, for CH, FI, IS, MT, NL, last is 2024.
Source: Based on Eurostat table nama_10_a64_e.

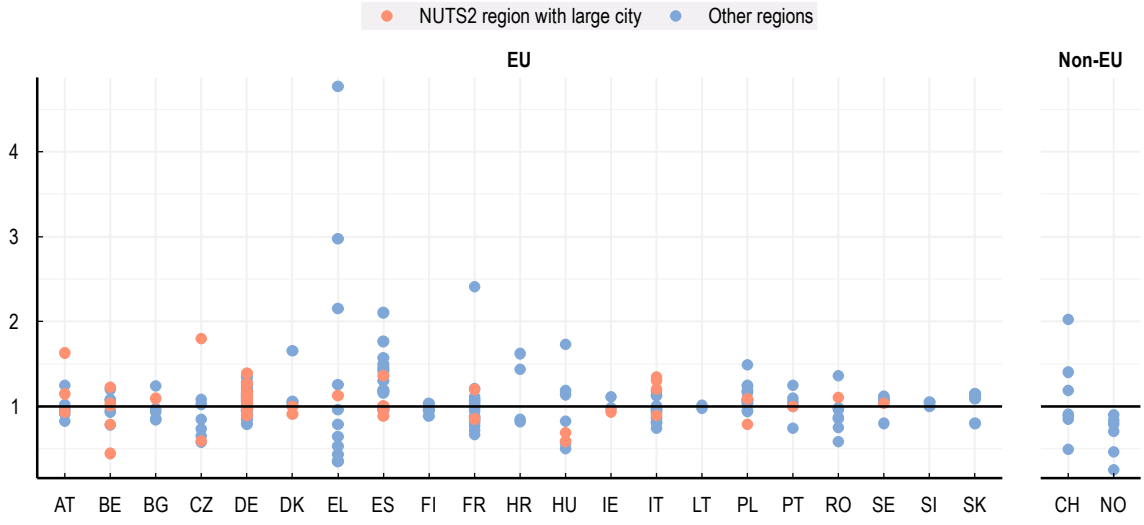
Even with limited employment growth, hiring difficulties may be substantial in the retail sector, due to local economic trends and as skills needs change in the sector. A labour market tightness index measures the number of online job vacancies for retail in a region relative to total employment in the retail sector in the same region. This measure allows for comparison across regions within the same country. In larger countries with many regions, such as Germany, France, Italy and Spain, the index suggests that the tightness in retail in one region can be multiple times of that experienced in other regions (Figure 3.4). A distinction between regions with and without large cities does not suggest that labour market tightness is specifically concentrated in the most urbanised regions, mirroring the observation of Figure 3.2 where the most urbanised regions had both higher and lower retail employment shares relative to the national

average. While the measure allows for some comparison on the relative tightness in retail across regions within the same country, data limitation make its use for cross-sector and cross-country comparison more limited. Box 3.2 discusses the index further and indicates that the use of online job portals for hiring in the retail (and wholesale) sector may be less frequently used relative to the business economy overall across countries.

One-third of retail and wholesale SMEs across seven OECD countries face labour and skills shortages, a rate that is similar in the wider business economy. An OECD 2024 survey across SMEs in seven countries, among which the EU members states Germany, Austria and Ireland, shows that about 35% of SMEs have faced labour shortages and around 30% have faced skills shortages among existing staff since 2022 (Figure 3.4). The average rate across the included seven countries is similar for the wholesale and retail sector and the wider business economy. Among the seven countries, Austrian and German SMEs cite labour (around 50%) and skills shortages more frequently, followed by Japanese SMEs. Among the EU countries, labour shortages tend to be a more widely experienced issue compared to skills and experience shortages among existing staff.

Figure 3.4. Hiring needs for retail can vary substantially across regions within the same country

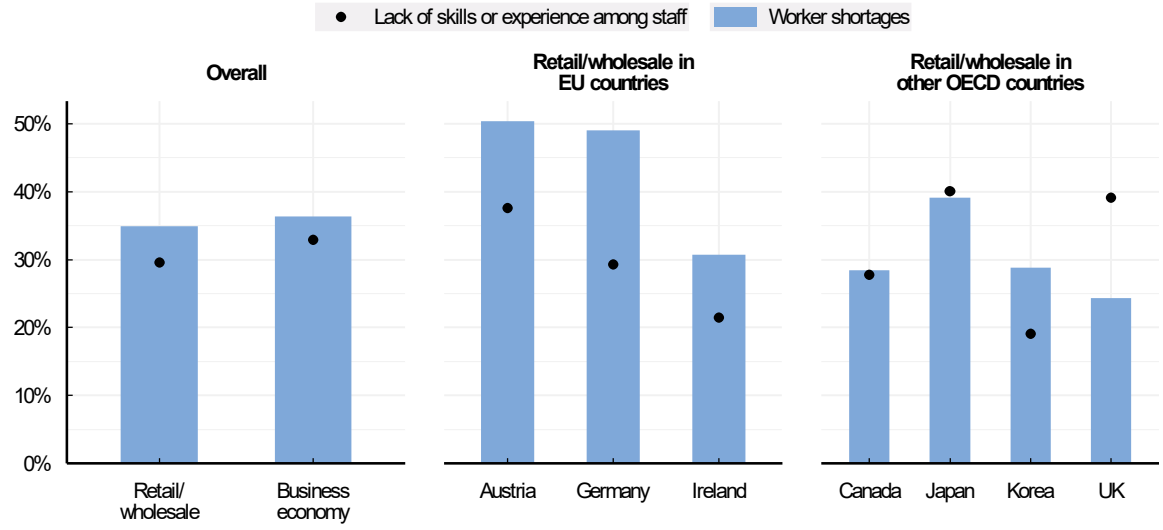
Labour market tightness in the retail sector relative to the overall business economy (B-N) in the same region, by country, 2023.



Note: Labour market tightness is calculated as the number of online job vacancies (sourced from Lightcast) relative to current employment in the sector (sourced from the EU LFS). To account for differences in the use of online job vacancies across and within countries, labour market tightness for the retail sector is expressed relative to that of the overall business economy in the same region.
Source: Based on EU LFS and Lightcast.

Figure 3.5. Many SMEs, including in retail and wholesale, face labour and skills shortages

Percentage of respondents answering 'Yes' to: In the last two years, has … ever been a challenge for your company?



Note: Survey based on 1100 SMEs across listed countries.
Source: OECD survey on how SMEs use generative AI to address skill and labour needs, 2024.

Box 3.2. Labour market tightness as a proxy for labour shortages

Labour market shortages occur when firms are not able to fill open positions. As firms cannot hire the desired employees, labour shortages may impede economic growth and productivity, both for individual firms and the economy as a whole. Despite its importance for the monitoring of a region's economic health, labour market shortages are difficult to measure since standard labour market statistics do not typically track job vacancies (and whether these are filled) in a consistent manner across time and countries. Throughout this note, labour market tightness is used as a proxy for labour shortages.

Methodology

Labour market tightness is calculated as the number of job vacancies over the number of employed persons in a given region and year. The measure is calculated for retail and the total business economy. The number of job vacancies comes from online job postings collected by Lightcast while employment data are derived from the European labour force survey.

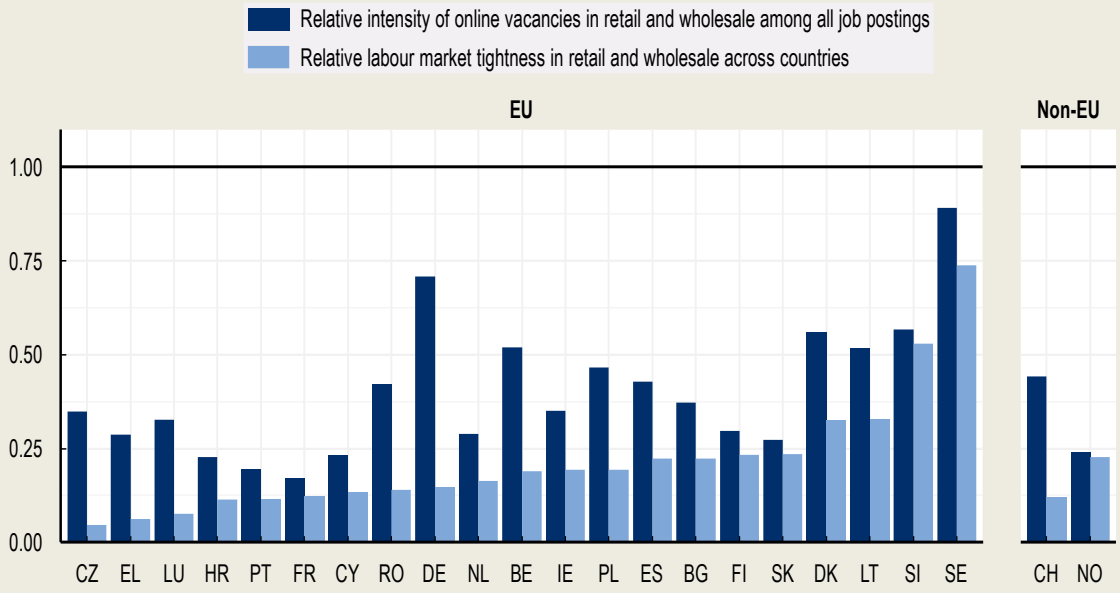
This section presents labour market tightness for TL2 (or NUTS2) regions for the retail sector relative to the tightness in the overall business economy in the same region. Since the data quality of online job postings (i.e. how accurately it tracks all job openings in an economy) varies by country and over time, this section reports relative measures of tightness. Specifically, the results present the regional retail sector labour market tightness level relative to the region's average level of tightness across the business economy. This approach only allows for comparisons of tightness levels between regions relative to their country's average, rather than in absolute terms.

A cross-country or cross-sectoral comparison is hampered by the apparent more limited use of online job portals in the retail sector relative to that in other sectors. Across virtually all European countries,

the number of online job postings relative to the number of postings recorded from other sources, such as business surveys, is much lower for the retail and wholesale sector compared to the overall business economy (Figure 3.6). Hence, the retail sector may also show a lower labour market tightness as measured through online job postings relative to the overall business economy.

Figure 3.6. Low intensity of online job market tools may mask tightness in retail relative to other sectors.

Retail and wholesale intensity of online job ads over all ads relative to intensity in business economy, retail and wholesale tightness relative to total national tightness, 2023.



Notes: Values below one indicate that values for the respective indicator for the retail and wholesale sector are lower than that for the business economy (sectors B-N). Relative intensity of online job postings is the ratio of online job postings to all vacancies in retail and wholesale relative to the same ratio in the total business economy as measured by Eurostat Job vacancy statistics. Eurostat Job vacancy statistics does not allow for a breakdown between wholesale and retail sectors. The relative labour market tightness is the labour market tightness in retail and wholesale relative to the same measure in the total business economy. Estonia, Hungary and Latvia are excluded due to implausible values that are likely driven by limited sample sizes of the underlying data.

Sources: Based on Lightcast, European Labour force survey and Eurostat Job vacancy statistics by NACE Rev. 2 activity (jvs_q_nace2); OECD (2024[23]), *Job Creation and Local Economic Development 2024: The Geography of Generative AI*.

Retail stakeholders view the competition for talent as an increasing priority. Labour market experts and policymakers acknowledge the rising presence of "help wanted" signs in urban retail environments; however, they consider these shortages to be less severe compared to sectors such as healthcare and IT. Retail business associations, in contrast, emphasise that labour shortages are becoming a critical issue for the industry. This concern is framed within the broader context of challenges heightened by the economic recovery of the COVID-19 pandemic, including increased competition from e-commerce and emerging market retailers, rising regulatory requirements, escalating shop rents, and shrinking profit margins – all of which affect employment practices and the sector's ability to remain competitive in the race for talent.

The retail sector may be using online recruitment tools less frequently compared to the overall business economy across European countries. Comparing the number of online job postings with vacancies reported from business surveys can serve as a measure of the sector's digitalisation in recruitment (Figure 3.6, Box 3.2). Thus, the lower frequency of online job postings in retail, relative to the business economy in most European countries, suggests that the retail sector lags in the use of online tools for recruitment. Across 23 countries with available data the retail (and wholesale) sectors report a lower ratio of online job vacancies to all vacancies compared with the business economy. This gap exceeds 50% in 16 out of 23 countries with available data.

Retail stakeholders recognise that the limited use of online recruitment tools has been a key barrier to attracting talent. Traditionally, many brick-and-mortar shops have relied on local hiring methods, such as "help wanted" signs or word-of-mouth, due to their close ties to the community and limited resources. However, there is a growing shift towards online recruitment, driven by digitalisation across industries. As more retail businesses, including smaller players, adopt digital hiring tools, this trend is expected to expand, broadening the talent pool and improving access to candidates. Despite this progress, smaller retailers still face barriers like limited digital literacy and resources, which slow adoption and complicate efforts to attract and retain talent in a competitive market.

Changing job requirements and emerging skills gaps

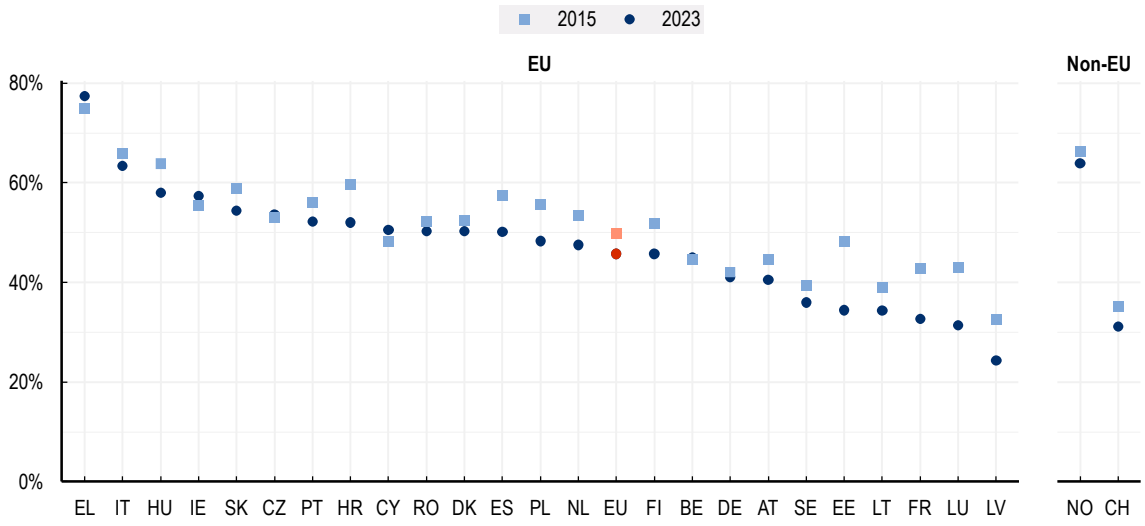
Evolving job requirements, driven by increasingly digitalised business models, add to the challenge of recruitment. According to retail stakeholders, the adoption of digital and automated systems – such as online shopping platforms, automated checkouts and data-driven management of warehouses, orders and inventory – has increased demand not only for roles like IT specialists, data analysts and digital marketing professionals, but also for hybrid positions such as "Warehouse 2.0" workers who blend logistics and digital skills. This shift is reshaping the types of occupations most in demand, with both digital and logistics skills becoming more prevalent, potentially affecting the sector's recruiting priorities.

Jobs that involve direct interaction with customers, i.e. "front-end" jobs, declined in all European countries in the retail sector. Between 2015-2022, the decline in employment in "front-end" jobs remained limited in EU countries, not exceeding one percentage point, in Czechia, Germany, Hungary, Italy, Lithuania, and Romania, while surpassing 10 percentage points in Estonia, France and Luxembourg (Figure 3.7).[3] This trend provides further evidence of the shift in occupational demand within the retail sector, where front-end roles are becoming less dominant while back-end roles requiring digital expertise grow in importance.[4]

While around half of EU retail jobs remain front-end roles, this share varies significantly between countries, highlighting the importance of context-specific responses. The share of front-end roles ranges from three to more than six out of every ten retail jobs across Europe. No clear patterns emerge regarding the level of front-end jobs, as countries from the same macro-region or with similar income or digitalisation levels appear on both sides of the distribution, reinforcing the need for tailored solutions.

Figure 3.7. In recent years, the share of retail jobs that involve direct interaction with customers has declined in most European countries

Percentage of employment in "front-end" jobs in retail, 2015-2022.



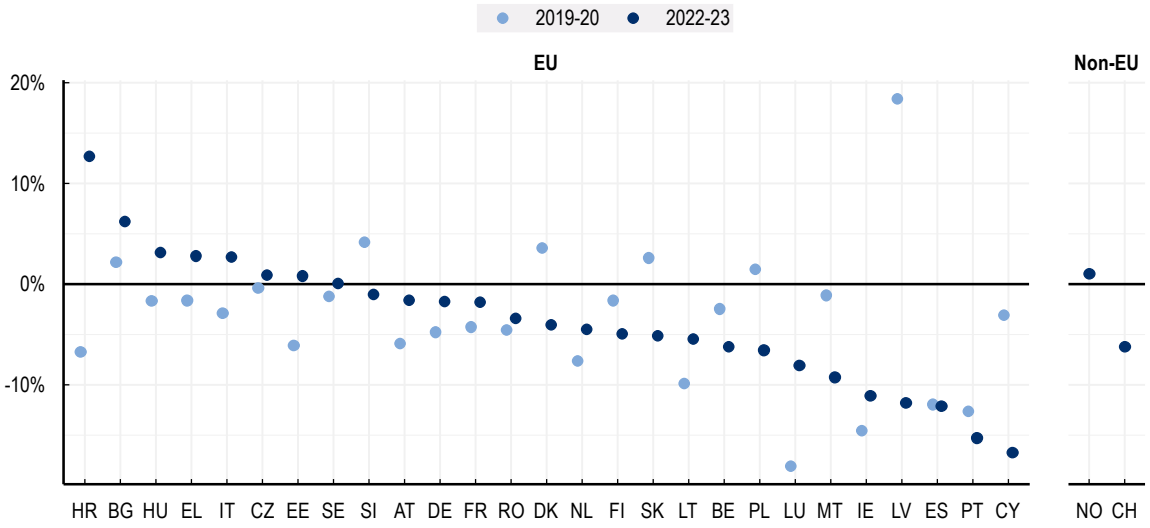
Note: "Front-end" jobs are defined as jobs that typically involve direct interaction with customers. The opposite occupations are "back-end jobs". A list of occupations for front-end jobs is provided in Annex 3.B. EU represents the weighted (national) average among the EU27.
Source: Based on EU LFS and Lightcast.

Demand for advanced ICT skills in the retail sector remains lower than in other sectors in many countries. This demand is identified through mentions of specific keywords in the description of online job postings, which can be linked to advanced ICT skills, such as computer coding languages (Figure 3.8).[5] Between 2019-20 and 2022-23, the gap in demand for advanced ICT skills in retail jobs narrowed or reversed relative to the demand in the business economy narrowed in 16 of the 27 EU countries with available data, while it widened in the other 11. In Slovenia, Denmark, the Slovak Republic, Poland and Latvia (in descending order of their 2022-23 levels), demand for advanced ICT skills in retail shifted from outperforming other sectors to lagging behind. The gap in demand for advanced ICT skills reinforces the digitalisation gaps highlighted by the lower share of online job postings (Box 3.2).

Front-end jobs in retail strongly value personal and customer skills and demand for such skills has risen since 2019. While the digitalisation of the sector increasingly requires advanced ICT skills, and front-end jobs represent a declining share, the remaining front-end jobs put higher value towards interpersonal skills. Skill needs such as "coaching clients", "communicating with customers", "maintaining interpersonal relationships", and even "smiling", are more likely to be found in front-end retail jobs than in other jobs in the total business economy. In 17 out of 27 EU countries with available data, such skills are 20% more likely to be found in retail front-end jobs than in other jobs in 2023 (Figure 3.9). In Sweden, Croatia and Czechia such skills are more than 50% more likely to be mentioned in retail front-end jobs. In 20 out of 27 EU countries, the use of keywords that refer to personal and customer skills has increased between 2019-20 and 2022-23.

Figure 3.8. Demand for advanced ICT skills remains lower in retail than other sectors in many countries despite a narrowing gap in some countries, but widening in others

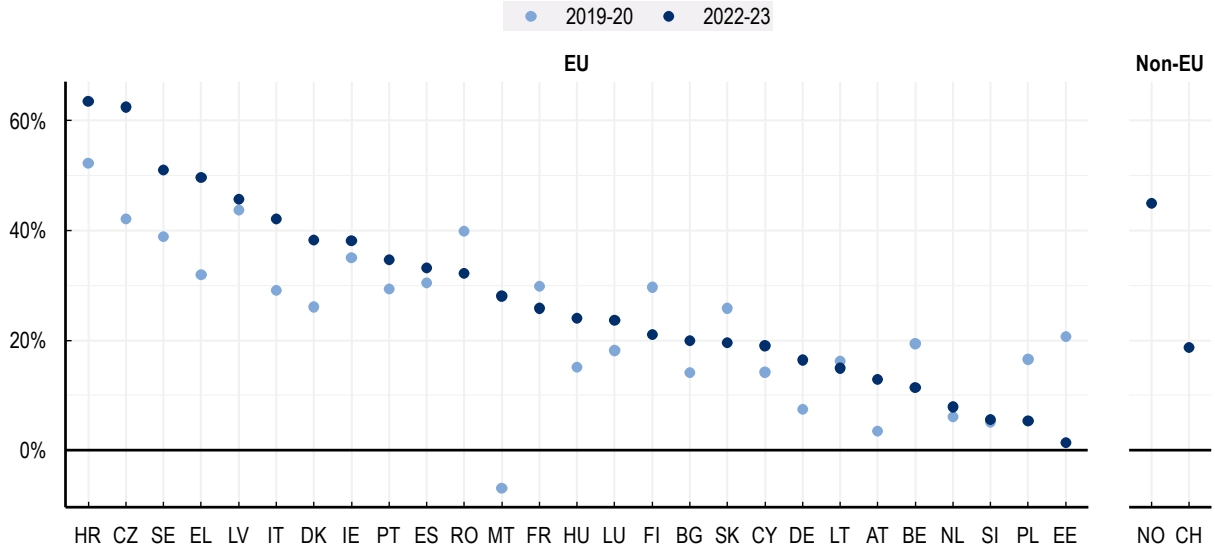
Demand for advanced ICT skills among back-end jobs in retail, 2019-20 and 2022-23, difference relative to all occupations in the overall business economy (B-N).



Note: Advanced ICT skills as defined and operationalised in OECD (2022[24]). A list of occupations for back-end jobs is provided in Annex 3.B.
Source: Based on Lightcast.

Figure 3.9. High and increasing demand for personal skills among front-end jobs in retail in many countries

Demand for personal skills in front-end jobs in retail, 2019-20 and 2022-23, difference relative to all jobs in the overall business economy (B-N).



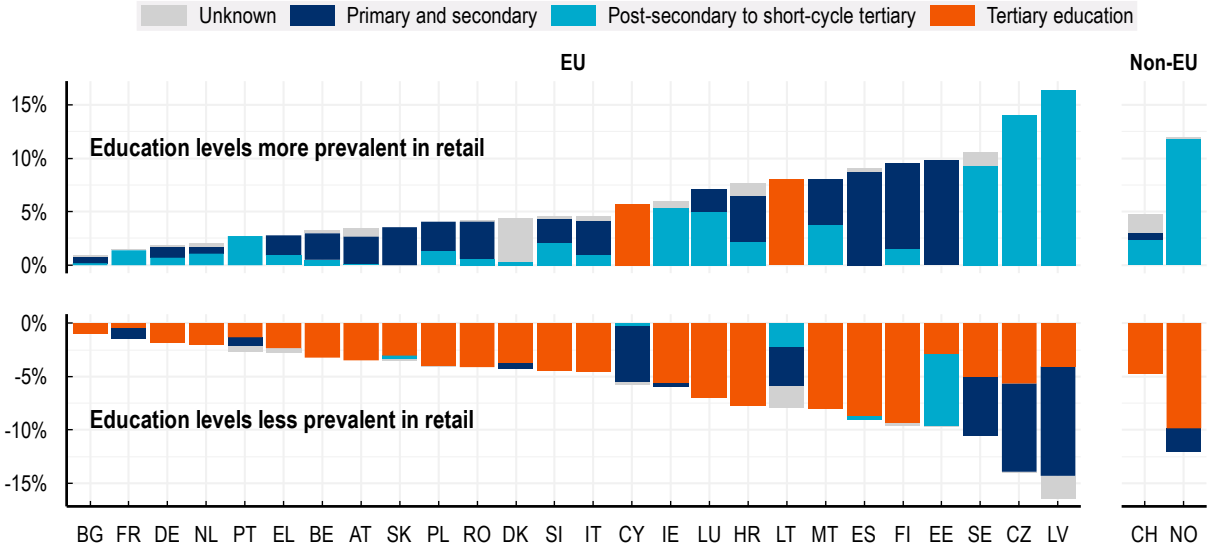
Note: based on skill mentions related to "customer", "client", "smile", "Establishing and Maintaining Interpersonal Relationships". These keywords capture a variety of skills such as “council clients”, “coach clients”, “identify customer's needs” and “establish customer rapport”.
Source: Based on Lightcast.

Minimal educational requirements are generally lower for jobs in retail relative to those in the business economy. Retail tends to have greater demand for primary, secondary and post-secondary to short-cycle tertiary education and a lower demand for tertiary education compared to the overall business economy (Figure 3.10). These differences are more pronounced in smaller Central and Eastern European countries.[6] In larger countries, such as France, Germany and Italy, the difference to the overall business economy in educational requirements across the levels is less than 5 percentage points, whether positive or negative.

Retail stakeholders are concerned about the reputational damage that lower skill requirements have caused for the sector. Business associations acknowledge that educational standards in retail have traditionally been lower than in other industries, reinforcing the perception that retail jobs require minimal skills. In response, they are actively working to change this narrative by raising educational standards. In recent years, there have been several initiatives aimed at collaborating with training providers and offering upskilling opportunities to the retail workforce, as further discussed in Section 3. Despite these efforts, stakeholders recognise that the sector continues to face a "race to the bottom" in some markets, where low entry barriers and competition from under-capitalised retailers drive down skill requirements and employment practices, prompting a broader question about the future direction of the sector.

Figure 3.10. Educational requirements in retail are generally lower than in other sectors

Percentage point difference of job ads requiring the indicated educational level, between retail and the overall business economy, 2023, or average over 2021-2023 for selected countries.



Note: The chart shows, for each country, the relative difference in required education levels as reported in online job ads. Bars above zero indicate that higher education levels are more commonly required in retail sector job ads compared to those in the overall business economy, while bars below zero indicate the opposite. Due to small sample sizes, data from 2021 to 2023 is used for Estonia, Lithuania, Luxembourg, Latvia, Malta, Slovenia, Bulgaria, Cyprus, and the Slovak Republic. For Switzerland, data from 2022 and 2023 is used. For all other countries, only 2023 data is included.
Source: Based on Lightcast.

A wide demographic composition

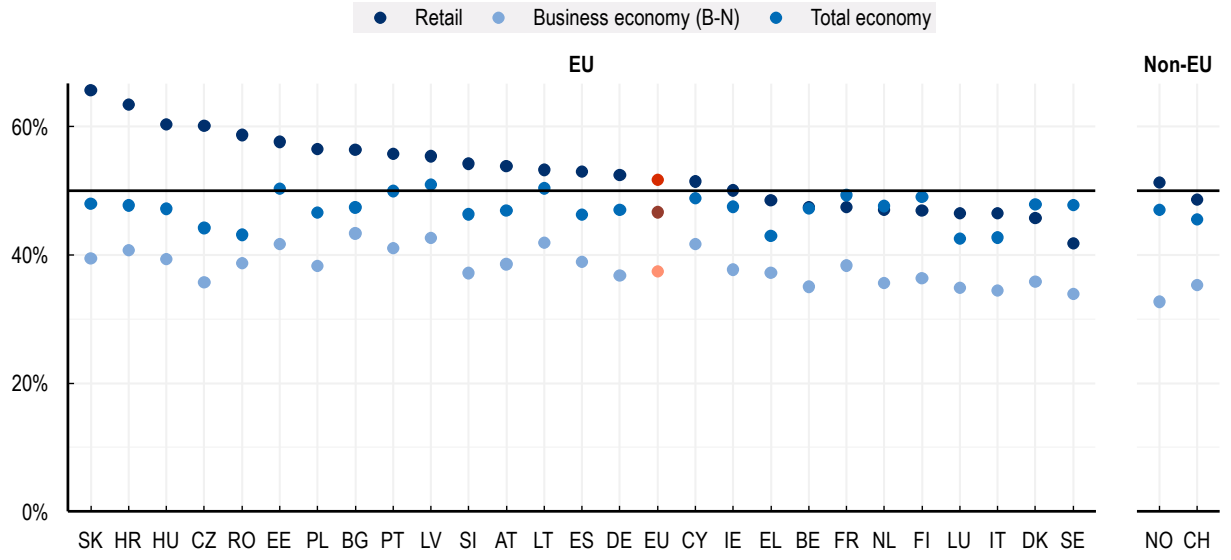
Women account for 52% of EU retail jobs, against 37% in the wider business economy, and outnumber men in 17 of 26 EU countries with available data. Moreover, the share of female workers in retail exceeds that of the overall business economy in all countries (Figure 3.11). In none of the observed

countries is the ratio below 8 women per 20 workers, while in four countries it exceeds 12 per 20. In all cases, the difference in female employment between the retail sector and overall business economy is at least 8 percentage points. The ratio between men's and women's share of employment in the retail sector falls below parity in countries where female workforce participation is high – such as Denmark, the Netherlands and Sweden– and in those where it is comparatively lower, such as Greece and Italy. The gap in women employment between retail and the total economy, which includes also sectors such as healthcare, education and public administration, which generally have a high female employment share, is generally much lower.

Stakeholders emphasised the crucial role women play in retail while acknowledging the challenges they face in advancing their careers. Although retail offers flexible work arrangements that appeal to women balancing family and other responsibilities, stakeholders expressed concern that women are often concentrated in lower-paid, front-line roles, that offer fewer opportunities for advancement into leadership or specialised positions. This highlights the need for targeted initiatives to promote career progression for women, including mentorship programmes, skills development and greater support for work-life balance. Additionally, they acknowledged that since 2021, with the recovery from the COVID-19 pandemic, the fact that more women exited the workforce, exacerbated by income support schemes, has made it harder to retain female talent. Nevertheless, the rise of back-end roles requiring digital skills presents an opportunity to create more diverse career paths for women, provided there is sufficient training and support to enable their transition into these areas.

Figure 3.11. The share of female workers in retail exceeds that of other sectors in all European countries

Share of female workers in total employment, by sector, 2023



Note: EU represents the weighted (national) average among the EU27. The horizontal line is placed at 50% as a general reference benchmark of gender parity.
Source: Based on EU LFS and Lightcast.

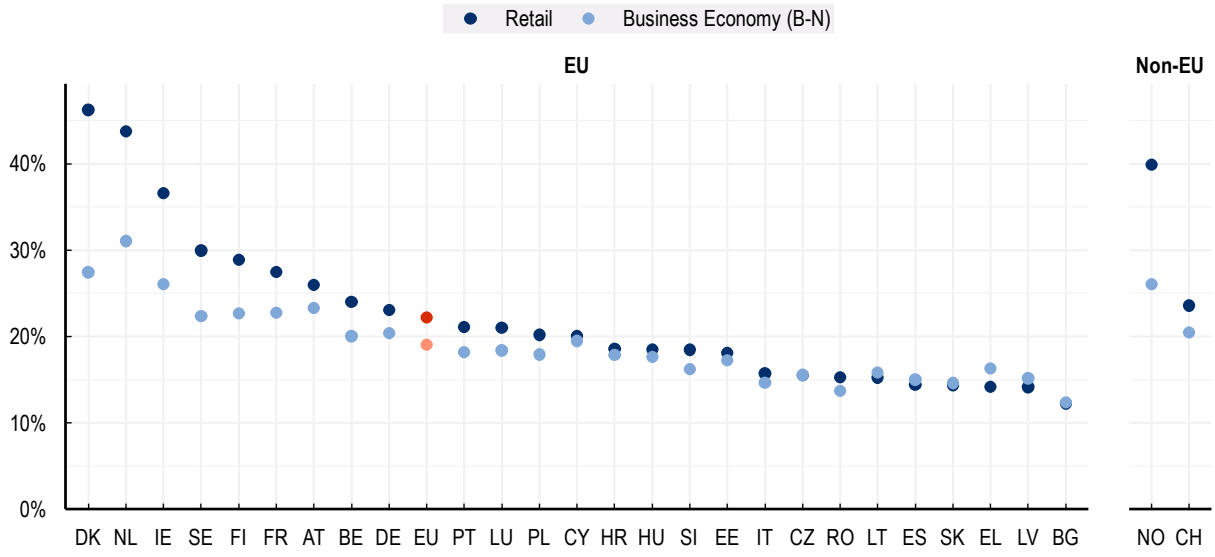
Young workers account for 22% of EU retail jobs in 2023, three percentage points more than in the wider business economy. In 22 out of 26 EU countries with available data, their share of retail employment exceeds that of other sectors (Figure 3.12). In most countries, young workers account for 15% to 30% of the workforce in both retail and other industries, though in Denmark, the Netherlands, and

Ireland their share in retail is between 35% and 45%, substantially higher than in the overall business economy.

Retail stakeholders shared varied perspectives on the involvement of young workers in the sector. While retail has traditionally attracted a higher proportion of young employees compared to other industries, stakeholders noted growing challenges in retaining young talent. Many young workers view retail as a temporary or transitional job, rather than a long-term career, which contributes to high turnover rates. However, stakeholders also pointed out that the rise of more specialised roles, such as digital marketing and data analytics, presents an opportunity to offer more appealing career paths to young workers, provided the right training and development programmes are in place to equip them with the necessary skills.

Figure 3.12. In most European countries, youth's share of retail employment exceeds that of other sectors

Share of young (15-29) workers, by sector, 2023.



Note: EU represents the weighted (national) average among the EU27.
Source: Based on EU LFS and Lightcast.

Foreign-born workers make up 13% of EU retail jobs, more than two percentage points below the wider business economy. This trend is consistent across Europe, with the gap remaining stable despite significant differences in the share of foreign-born workers between countries (Figure 3.13). In both Scandinavian countries (except Sweden) and Central and Eastern Europe, foreign-born workers tend to have a lower presence in the workforce across all sectors.[7]

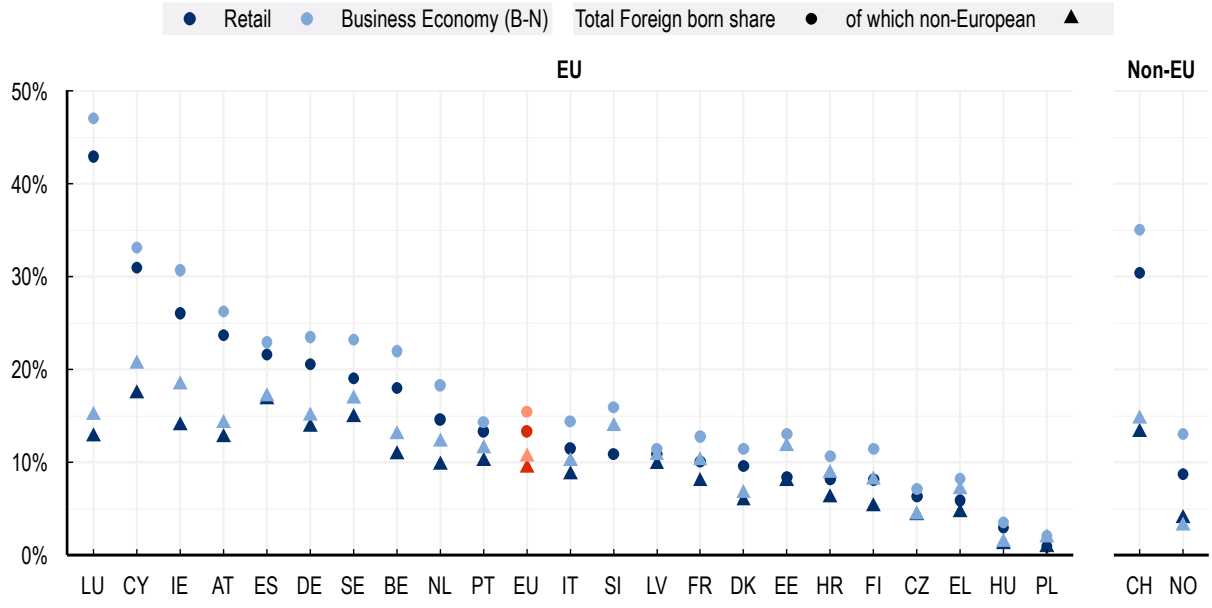
On average across the EU, non-Europeans account for around two-thirds of foreign-born workers in both retail and other sectors, though their share varies significantly by country. In Luxembourg, Europeans make up a large portion of the workforce. A similar pattern is observed in Switzerland. For both countries, a substantial number of foreign workers are likely to be regional cross-border commuters from EU member states, resulting in high rates in the total foreign-born share of workers.

Stakeholders expressed mixed experiences regarding the potential to increase the involvement of foreign-born workers across different countries. In regions where a second language is widely spoken – such as English in parts of Western Europe – or in parts of Central and Eastern Europe, where Ukrainian

workers can more easily adapt to local Slavic languages, migrant integration into the retail workforce has been more successful. However, retail stakeholders highlighted that language barriers and skill gaps remain significant challenges in other areas, particularly in rural regions or countries where migrants are less familiar with the local language. They also noted that the rising demand for back-end roles, such as logistics and digital inventory management, offers an opportunity to engage more foreign-born workers, provided sufficient training is available to address skill gaps.

Figure 3.13. Across all European countries, foreign-born workers are less frequently employed in retail compared to the wider business economy

Share of foreign-born workers, of which non-European, by sector, 2022.



Note: EU represents the weighted (national) average among the EU27. Some countries have a sizeable share of observations where workers status on foreign born is unknown, which may therefore underestimate the share of foreign born in the labour force.
Source: Based on EU LFS and Lightcast.

Contractual patterns and flexibility

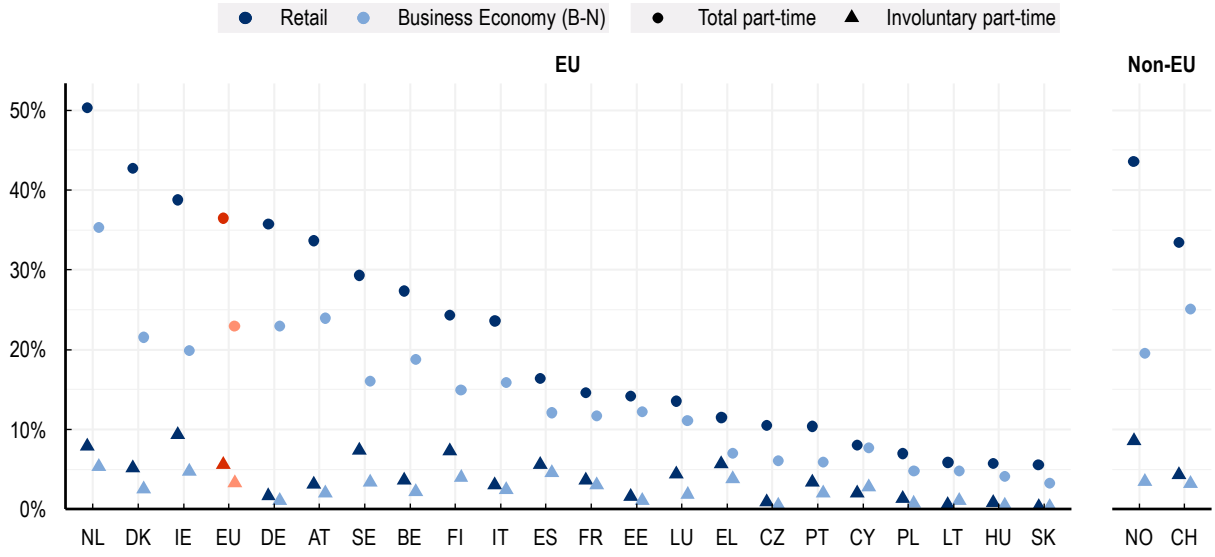
Part-time jobs account for 37% of all retail employment in 2023, 14 percentage points more than in the broader business economy. Part-time work is more common in retail in all but three European countries, with significant variation in part-time shares across the continent (Figure 3.14). This European average is driven predominantly by a few countries, including Germany, the Netherlands, and Austria, which have high part-time employment rates across all sectors, but notably more so in the retail. Also Sweden and Finland have substantial higher part-time rates in retail relative to the wider business economy.

Involuntary part-time work represents 5.6% of all EU jobs in retail and 3.2% in the total business economy. Involuntary part-time job rates are calculated based on the workers that are currently in a part-time job and express the desire to work more hours. In Finland, Luxembourg, Portugal, Spain, Bulgaria and Romania, about one third of workers in part-time job would be willing to work more hours[8]. Generally, a higher rate of part-time work does not indicate a higher share of involuntary part-time workers. However, where the gap between part-time work in retail relative to the business economy is relative wide, such as in Ireland, Denmark, and the Netherlands, there is also a noticeable gap in the share of involuntary part-

time workers. In general, services sectors such as retail, but also accommodation and food sectors, and the arts and leisure sectors have a higher prevalence of involuntary part-time employment relative to other sectors (OECD, 2019[25]).

Figure 3.14. Retail part-time is more prevalent than in other industries across Europe despite wide national variations, with modest levels of involuntary part-time in most countries

Share of employment in part-time contracts, total and involuntary, by sector, 2023.

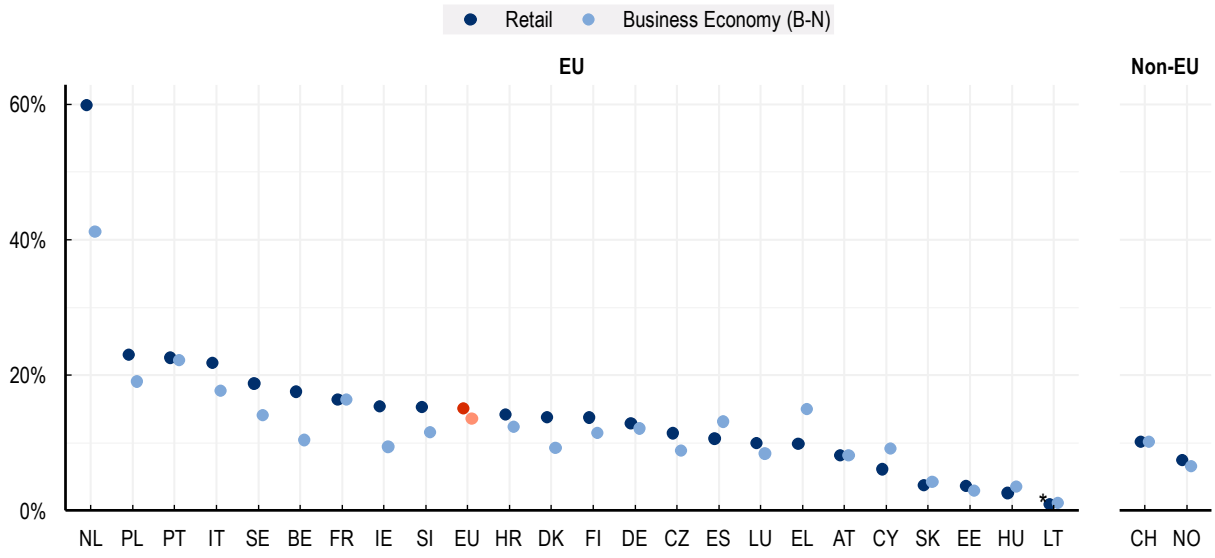


Note: EU represents the weighted (national) average among the EU27. Involuntary part-time rates are measured as the share of workers who currently hold part-time contracts, and indicate to wish for more hours and are available to do so.
Source: Based on EU LFS and Lightcast.

Fixed-term contracts outnumber permanent ones across all European countries, both in retail and the wider business economy. While shares of employment on fixed-term contracts vary significantly between countries, the difference between retail and the wider business economy within countries is around 2 percentage points on average (Figure 3.15). Retail's share of temporary employment exceeds that of other sectors in roughly half of the countries observed and is slightly higher on the EU average, where 15% of retail employees are on fixed term contracts. Besides the Netherlands, which is a clear outlier in its use of fixed-term contracts in both retail and the wider business economy, Belgium and Ireland have the largest gap for the retail sector, at 7 and 6 points difference, respectively.

Figure 3.15. The use of fixed-term contracts in retail is generally in line with the broader economy

Share of workers in fixed-term contracts, by sector, 2023

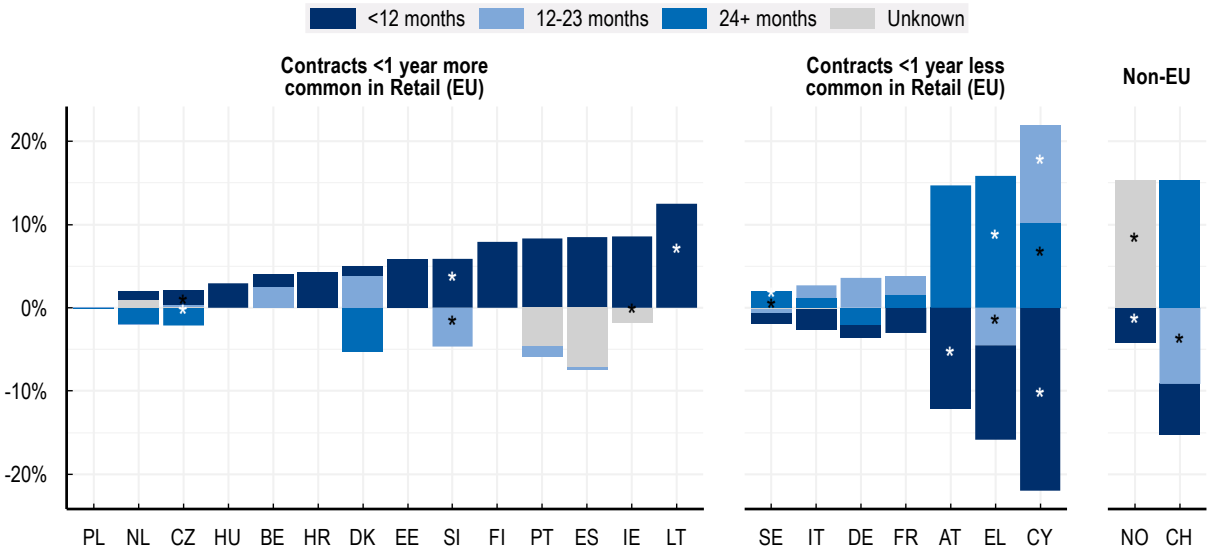


Note: EU represents the weighted (national) average among the EU27. * indicates low statistical certainty due to a small sample.
Source: Based on EU LFS and Lightcast.

Contracts of less than one year are more common in retail in half of the observed European countries (12), while longer contracts dominate in the others.[9] However, the gap between contract types is wider in countries where shorter contracts are more common, compared to those where longer contracts prevail (Figure 3.16). Countries with a higher prevalence of longer contracts often also have a larger proportion of foreign-born workers. This could indicate that longer contract durations may play a role in attracting foreign talent, though further analysis would be needed to confirm this relationship.

Figure 3.16. Contracts for less than one year are more common in retail in half of EU countries

Percentage point difference of contract duration of fixed term contracts in the retail sector relative to the overall business economy, 2023



Note: The chart shows, for each country, the relative difference in contract lengths between workers in the retail sector relative to those in the overall business economy. Bars above zero indicate that contracts are more commonly observed in retail sector jobs compared to the total business economy, while bars below zero indicate the opposite. The left panel includes countries where contract lengths of less than 12 months are more common in retail than in the wider business economy. The right panel includes the other countries. Country-contract length combinations that do not appear on the chart did not meet a minimum observation threshold that allow for publication. Bars with an asterisk indicate low statistical certainty due to a small sample.
Source: Based on EU LFS and Lightcast.

Retail industry stakeholders highlighted that flexible contracts offer valuable opportunities for the demographics most represented in retail, particularly women balancing family responsibilities and young workers seeking flexibility. They emphasised that most part-time work in the sector is voluntary and appreciated for its adaptability. However, stakeholders noted that improving employment conditions is constrained by broader market regulations, such as laws on shop opening hours. If shops are allowed to open 24/7, this inevitably impacts working hours, shifts, and overall worker conditions. Furthermore, they pointed out that retail operates in a highly competitive environment with narrow margins, limiting companies' ability to improve contract terms and working conditions. Market competition, especially in a sector driven by consumer demand, remains a key factor influencing employment practices.

Tackling retail's labour and skills challenges

The retail sector in Europe offers a wide range of employment opportunities from entry-level positions to high-level management roles. With such breath of activities, this sector provides jobs for a diverse workforce, including independent shop owners and employees of multinational retail chains. As the green and digital transitions reshape consumer behaviours and expectations, the skills required of retail workers are evolving. This necessitates continuous upskilling and training, making the sector accessible not only to those entering the job market for the first time but also to individuals transitioning from other industries.

To maximize the benefits of these transitions, it is important to improve job quality, particularly for entry-level, client-facing roles. Enhancing job quality can lead to higher returns on skills investments, reduced turnover rates, and a greater appreciation for specialized knowledge across various branches of the sector. Given that the retail sector serves the entire population, its workforce often mirrors this diversity, underscoring the importance of inclusive and adaptive employment practices.

Stakeholders recognise that the predominance of SMEs in the sector poses significant challenges, particularly regarding investment in workforce development. With SMEs accounting for the majority of retail businesses, many lack the resources to provide substantial training or upskilling opportunities. The small size of these companies may pose a challenge to compete with larger firms in terms of salaries and benefits, making it harder to attract and retain skilled workers. With few exceptions where companies can collaborate on shared workforce initiatives, such as in the hospitality sector, retailers often operate in isolation, complicating efforts to raise the skill level of the sector's workforce. This fragmented landscape raises concerns about the sector's ability to evolve and adapt in an increasingly competitive market. This section outlines various policy examples drawing from EU member states and other OECD countries.

Changing skills needs: green, digital and consumer experience

The green and digital transitions are significantly reshaping consumer shopping habits and the skills required of retail workers. The green transition influences how retail businesses operate and how they account for the products they sell. This shift necessitates that workers in the sector develop a deeper understanding of the environmental impacts of different product varieties, enabling them to assist consumers in making environmentally informed decisions. As consumers increasingly prefer using online tools for their purchases, traditional retailers have adapted by establishing their own web shops or utilising online platforms. This trend suggests that potentially all brick-and-mortar stores could operate a concurrent web shop, if they do not already. However, to do this effectively and strategically, retail workers and managers need to acquire and continuously update their digital skills. This dual approach of maintaining physical stores while expanding online presence is crucial for meeting the evolving demands of the modern consumer.

Digital skills for e-commerce, marketing and customer service

As consumers increasingly prefer using online tools for their purchases, traditional retailers have also moved online, offering their own web shops or using platforms. This shift towards a more digital retail sector calls for skills that help workers manage e-commerce platforms effectively. Additionally, understanding data from online consumer behaviour and digital marketing campaigns is important. These skills enable workers to strategically respond to consumer demand, enhancing the overall efficiency and effectiveness of retail operations.

For existing small firms with brick-and-mortar shops, integrating a web shop can be challenging. An online web shop adds to the existing activities and the hours required to be present in the shop. However, various IT solutions are available for all types and sizes of shops. Running a web shop alongside a brick-and-mortar store is arguably easier now than it was several years ago. Still, small shopkeepers may need assistance to get started and understand the various options available to them.

Training programmes for the retail sector across Europe have adapted to meet the growing demand for digital and e-commerce skills. For example, the Bildungszentrum des Einzelhandels (BZE) in Hannover, Germany, offers training in managing e-commerce platforms, data analytics, and other digital tools. Similarly, the Fashion Retail Academy (FRA) in London, United Kingdom, provides training focused on fashion retail (Annex Box 3.C.2). Additionally, the pan-European Skills4Retail programme includes e-commerce in its training offerings (Annex Box 3.C.3). Retail Ireland Skillnet supports the entire sector, including small firms, helping them acquire the training needed to start in e-commerce (Annex Box 3.C.4).

In-person retail can offer services to customers that are not available online. The presence of online retail changes the character of in-person retail, with customers seeking a personal experience in customer service and specialised product knowledge. For some shopkeepers, prioritising direct contact with customers may be a reason to avoid an online retail option. While consumers often buy online goods they know they want, retail shops may increasingly become places where consumers expect a richer client experience and seek guidance on their purchases. Therefore, deep knowledge of the products and strong social skills to interact with customers could become increasingly important for retail workers. Customer experience is a key component of the training offered by Retail Ireland Skillnet and the UK-based FRA (Annex Box 3.C.4 and Annex Box 3.C.2).

Sustainability in the retail sector

The retail sector can play a role in guiding customers towards more sustainable options. Shops act as curators of product choices, but customers can be very price-sensitive. With narrow margins and the risk of losing sales to other stores, including online competitors, retailers may feel limited in their ability to persuade customers that more sustainable options are better. While fostering a more sustainable and ethical consumer base also depends on broader societal developments, retail can contribute positively by advising customers on the best solutions and carefully curating their product offerings.

The issue of sustainability, from understanding supply chains to ethical considerations, is included in some skills training programmes across countries. BZE incorporates sustainability principles into its curriculum, teaching participants about environmentally responsible business practices and how to integrate them into retail operations (Annex Box 3.C.1). This focus on sustainability ensures that BZE graduates can meet the growing consumer demand for greener products and services, while helping businesses comply with evolving environmental regulations. Such training can be very specific to certain branches of the sector. For instance, the UK-based FRA includes knowledge on sourcing and processing textiles in its programmes (Annex Box 3.C.2). The EU consortium of Skills4Retail explicitly focuses on retail skills for the twin transition, with sustainability as a key objective for skills trainings (Annex Box 3.C.3).By integrating sustainability into its curriculum, the academy helps students and businesses stay ahead of regulatory changes and support consumer demands for eco-friendly products.

Better skills for workers in retail jobs

Upskilling and training are important in the retail sector because of its accessibility to individuals seeking their first job as well as those transitioning from other industries. While the green and digital transitions create a demand for specific skills, new entrants may also need to learn more general professional skills too. Additionally, the retail sector's broad scope, employing people in roles ranging from back-office administration to ICT, and from shop assistants to marketing professionals, means that the variety of potential training programmes and delivery formats is extensive.

School to work transition

For many younger workers, including those with lower levels of educational attainment, the retail sector offers accessible jobs. Apprenticeships are widely used in the sector and core to the skills development (e.g. Annex Box 3.C.1, Annex Box 3.C.4). This accessibility helps connect many younger people to the labour market. However, it also gives the sector an opportunity to provide further training to enhance workers' digital skills, business administration and management knowledge, and social skills for customer interaction. Additionally, branch-specific knowledge training on products may be beneficial to enable client-facing workers to offer appropriate advice to customers.

The retail sector's role in facilitating the school-to-work transition highlights the importance of comprehensive training programmes. These programmes could focus not only on immediate job

requirements but also on broader skills that can support career development. By investing in such training, the retail sector can help young workers build a strong foundation for their future careers, while also improving service quality and customer satisfaction.

Short-term training programmes and longer degrees integrated with work allow workers with little formal education to acquire professional skills. For instance, the Fashion Retail Academy in London, UK, offers specialised training for the fashion retail industry. It caters to a wide range of students, from school leavers to those already working in the industry who are looking to upskill. Courses are available in full-time, part-time, and short-term formats, allowing students to fit their education around other commitments. This flexibility ensures that the academy remains accessible to a diverse student body, supporting career progression at different stages of an individual's professional journey. Similarly, Retail Ireland Skillnet offers a variety of options, from short online courses to three-year degree programmes that combine work with studies (Annex Box 3.C.4).

Continuing training for all roles and levels and firms

Across Europe, numerous modular skills initiatives aim to provide training for all aspects of retail sector work. Many of these initiatives are short-term and modular, allowing workers and their employers to integrate the training around work schedules. Many combine classroom-based instruction with on-the-job training. In some cases, online courses offer additional flexibility, enabling workers to take training when it best suits them. Alongside courses specifically targeting the twin transition, various long-standing initiatives cover all aspects of retail business, including supply chain management, business administration, and advanced management levels. While such topics are typically provided by the formal post-secondary educational sector, integrating workers into sector-specific curricula offers an opportunity for those without degrees to attain higher-level educational qualifications.

Sector-wide initiatives, often publicly supported, help make training accessible to all types of workers and firms. Upskilling workers across the sector is a public good that benefits everyone and justifies sharing the costs across the sector or through public support. For instance, Retail Ireland Skillnet is a non-profit organisation supported by the national government. The European Social Fund has supported a skills initiative in Sweden (Annex Box 3.C.5), and the EU's Skills4Retail initiative supports vocational training in retail across several European countries (Annex Box 3.C.3).

This public support also allows for tailoring training to both large and small firms. For instance, stakeholder discussions in Sweden revealed that large companies prioritise training in leadership, customer interaction, and performance metrics, while smaller companies focus on the customer journey, service, and digital marketing. Many sector-wide skills initiatives, such as Retail Ireland Skillnet, emphasise how their curricula are created collaboratively with the various firm in the sector to meet diverse needs.

Retaining students and offering a structured learning programme can improve training completion rates and make employment in the sector more attractive. Some skills initiatives face challenges with training completion. For instance, online courses or other low-barrier entry initiatives may struggle to help students finish their courses. Moreover, the most common barriers for any worker, not just in retail, interested in participating in training are lack of time either due to family or work responsibilities (OECD, 2025[26]). While larger firms can often accommodate continuous learning for their employees, smaller firms and independent retailers may find it challenging to create the time and space for training. Some evaluations suggest that a more structured approach to skills training could better integrate it with other work tasks, favouring permanent initiatives over specific and short-term projects. From a worker's perspective, accreditation of training that is broadly recognised, such as through the European Qualification Framework, could incentivise students to complete their training.

Finding the right workers

As retail is often embedded in local communities, many smaller retailers may not use formal job portals to find their workers, relying instead on local connections. This may explain the comparatively lower use of online job postings in the retail sector relative to the rest of the business economy. Using local connections can reduce the costs of searching and screening candidates, but it may also lower the quality of job matching and reduce the chance to outsiders to enter.

Digital platforms are important tools for improving job matching, particularly in high-turnover sectors like retail. As retail businesses rebounded after the COVID-19 pandemic, they continued to face challenges in attracting and retaining talent due to evolving market needs. Platforms such as Mobilisationemploi.gouv.fr in France (Annex Box 3.C.6), a 2021 initiative, and Job Bank in Canada (Annex Box 3.C.7, which were adapted and strengthened post-pandemic, offer centralised job listings, enhanced search functionalities, and upskilling opportunities. These features make them especially valuable in addressing growing labour shortages across the economy. In retail, where high turnover is common and demand fluctuates during peak periods like store reopenings and holiday seasons, these platforms provide flexibility and efficiency in recruitment.

Digital job portals can also be a valuable source of data on the demand for specific skills and the retail sector's competitiveness in attracting workers. As a major employer in many areas, the retail sector can gain important insights into labour market dynamics across local economies. Information on the quality of candidates for specific job roles and their attraction to the retail sector compared to other jobs can complement the qualitative knowledge gained from discussions with employers.

Economy-wide labour market monitoring systems can help identify skills shortages and tailor workforce development strategies in retail. Across countries, public employment services have rapidly expanded their sector- and place-specific labour market intelligence services, using data on vacancies and registered job seekers. Such “skills Assessment and Anticipation” (SAA) are particularly useful to understand the skills shortages related to the green transition (OECD, 2023[27]). For instance, in the Netherlands (Annex Box 3.C.8), public employment services manage a large database of vacancies combined with information on job seekers and recent graduates to assess current and potential future skills and labour shortages. In Flanders, Belgium, a multi-level forecasting systems aims to monitor current and future skills needs across sectors (Annex Box 3.C.10). In Italy, regional labour markets rely on monthly business surveys for information on hiring trends across sectors in local labour markets (Annex Box 3.C.9).

Addressing job quality

Improving job quality can enhance the return on skills investments, reduce job turnover, and increase the appreciation of specialised knowledge across different branches of the sector. While the low entry barrier for some retail occupations can be beneficial for job seekers, it also facilitates the use of short-term contracts at minimum pay. At the same time, seasonal surges in retail activity require the sector to expand staff temporarily, and the opportunity for part-time work may be appreciated by some individuals. However, short-term contracts and high turnover rates make it challenging for employers to invest in employee skills, and workers may have little incentive to pursue training without the assurance of stable employment.

Across countries, sector wide agreements have aimed to improve job quality in the sector. Such agreements aim to do justice to flexibility required in the sector but improving the options for career progress of workers through longer-term contracts and integrated skills training. For instance, the UK post-COVID retail sector saw innovative measures, including mental health support, flexible work arrangements and improved leadership communication, aimed at retaining staff amidst widespread dissatisfaction (Annex Box 3.C.11). In Germany, the 2024 collective bargaining agreement emphasized wage increases and pension enhancements for workers (Annex Box 3.C.12). In the French food retail sector, collective

bargaining agreements facilitated reforms that improved vocational training accessibility, particularly for SMEs and low-skilled workers, aligning training with market demands and career progression (Annex Box 3.C.6).

Ensuring workers personal safety

In the retail sector, particularly in front-end roles with frequent customer interactions, safety concerns have become increasingly significant. Industry stakeholders have identified these safety concerns as contributing to staffing shortages, making their resolution important to attract new workers and retain existing ones. Retail employees can often face verbal assaults and harassment from customers, creating a hostile work environment and deterring people from entering or staying in the sector. Harassment, a form of workplace violence by clients against shop assistants and managers, calls for preventive measures (Acquadro Maran and Varetto, 2021[28]).

Responding to this growing concern is a responsibility of local and national governments, but skills training can also help. National and local governments have stepped in to raise awareness and protect workers. Such responses can be locally led too. For instance, the city of Tokyo, Japan, has issued specific ordinances to address the issue (Annex Box 3.C.14). Retail Ireland Skillnet includes personal safety and situational awareness in its curricula to help workers develop the social skills needed to handle abusive or threatening situations (Annex Box 3.C.4). A EU platform that collects risk assessments tools from across the EU includes options from several EU member states for small shops to assess and manage the risk from possibly negative interaction with clients for their employees (Annex Box 3.C.15).

Servicing the whole population with a diverse workforce, providing employment opportunities to everyone

The retail sector serves the entire population, and its workforce often reflects this diversity. Women represent more than 50% of the retail workforce across European countries, and retail employs a substantial share of younger workers as well as those with a migrant background. The wide variety of occupations also allows people with diverse educational backgrounds to work alongside each other.

Tailoring recruitment, employment, and training to a wide range of individual needs can enhance the inclusiveness of the sector. Using digital and open recruitment instead of personal networks may help diversify the pool of potential candidates. Flexibility in work modalities, such as part-time work or remote work for back-office tasks, can support workers with other commitments or limitations. Various types of training, from small modular courses to on-the-job training, may be especially appreciated by those not suited for classroom-based or self-learning. For instance, among those benefiting from Retail Ireland Skillnet training, 55% were female and 19% were non-Irish citizens (Annex Box 3.C.4).

Social inclusion for specific groups can be achieved through sector-wide agreements. For instance, in the Netherlands, an agreement between social partners creates work placements for people with learning disabilities to participate in the labour market. With supervisory support and partial wage subsidies, the programme promotes the social and work inclusion of individuals who might otherwise be excluded from working society. Larger firms, particularly grocery stores and their franchisees of larger chains, are encouraged to participate in this programme and provide placement options.

Annex 3.A. Data and methods

Extracting retail sector employment from the European Labour Force Survey

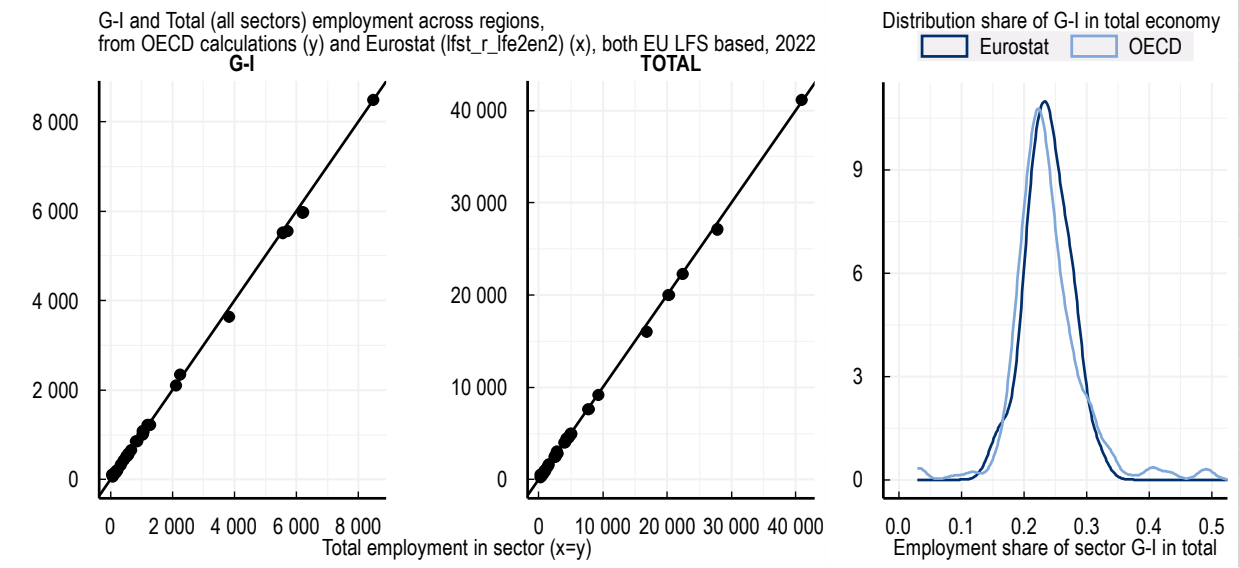
The analysis relies on calculations based on the microdata from the European Labour Force Survey (EU-LFS), as it provides detailed information on different types of workers and, for many countries, a regional breakdown. However, the retail sector is not directly identified in the EU-LFS; instead, it is part of the aggregate category "Wholesale and retail trade, repair of motor vehicles and motorcycles" (NACE rev. 2, sector G). To specifically identify retail employment, at least two-digit industry codes are required: retail is G47, wholesale is G46 and motor vehicle sales and repair is G45.

This chapter uses the occupational codes to allocate shares of workers to the retail sector, with the shares derived from online job postings. The data for online job postings is sourced from the data provider Lightcast, which supplies vacancy numbers for each of the three two-digit subsectors in "Wholesale, retail and vehicles sales and repair". This data is used to calculate the percentage of vacancies specific to retail for each country-region (TL2) and occupation (three-digit code). The underlying assumption is that employment-to-vacancy rates are consistent across retail and the other two subsectors, meaning that the distribution of vacancies among these subsectors reflects without bias the employment share in each subsector. This implies assuming that there is no significant difference in job turnover or the use of online job postings for hiring (leading to different number of vacancies) across the three subsectors within the same country-region-occupation-time period. For some countries or regions, vacancy data does not provide sufficient data to calculate ratios of occupations across the subsectors at the regional level. In such cases, the regional occupational percentages are filled using national-level data. Additionally, for countries with insufficient national vacancy data, vacancy data from the previous and following years (2021 and 2023) was also used.[10]

Benchmarking the employment statistics

To gauge the reliability of the retail employment indicators, two tests were performed. First, employment numbers for more aggregate sectors were compared. Eurostat provides employment numbers by region for the NACE sector G-I, which were replicated using microdata from the EU-LFS. This test demonstrates that the calculations in this chapter using the EU-LFS produce very similar estimates as those of Eurostat. Annex Figure 3.A.1 shows that the employment numbers for the macro-sector containing retail and for the total economy match closely. Although employment numbers may differ slightly in some regions, there is little evidence of sectoral bias. The share of employment in sector G-I relative to total employment closely matches between the Eurostat data and the OECD calculations in this chapter.

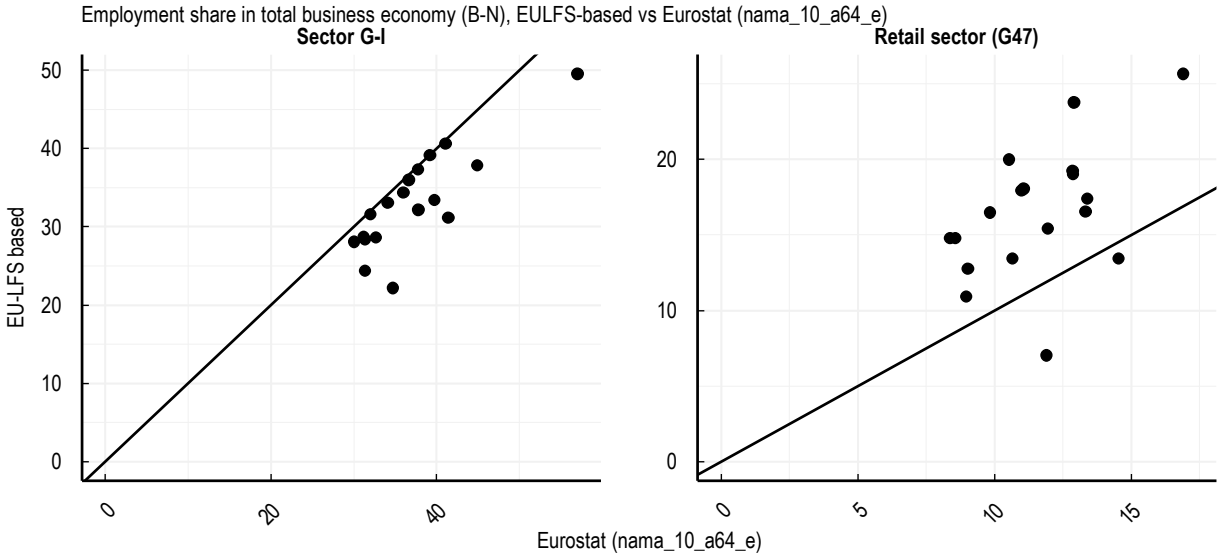
Annex Figure 3.A.1. Employment numbers from Eurostat and EU-LFS



Note: Regional (TL2) employment counts and employment shares are compared between the OECD's calculated numbers, based on EU-LFS microdata, and those reported by Eurostat, which also uses the EU-LFS microdata.
Source: Based on EU-LFS microdata, Lightcast and Eurostat table lfst_r_lfs2en2.

The second test compares the estimated employment shares with those available from national accounts reported by Eurostat. National accounts data provide employment numbers specifically for the retail sector, but they are based on country-specific methodologies and may include a variety of sources. Annex Figure 3.A.2 shows the comparison of employment in the aggregate sector G-I and in the retail sector specifically, as a share of employment in the business economy (B-N). For the aggregate sector, the EU-LFS-based numbers tend to suggest smaller employment shares than the national accounts data for several countries, while for the retail sector, all but two countries obtain higher employment shares using EU-LFS-based statistics compared to national accounts data. The estimates for the aggregate sector align closely between the two sources in seven of the reporting countries, but there are significant variations in others. For the retail sector, the deviation can be as large as ten percentage points for specific countries. For this reason, the retail sector employment the share in the business economy that are based on the LFS data are rescaled to align with the national accounts data.

Annex Figure 3.A.2. Comparison of employment share in macro sector G-I and retail across sources



Note: Each dot represents country estimates of employment shares for the aggregate sector G-I (left panel) and the retail sector (right panel). The share of employment for each sector, calculated based on microdata from the EU LFS, is plotted along the vertical axis. Sectors G-I are directly observed in the data, while the retail sector (G47) is estimated using Lightcast data, as described in the main text. Along the horizontal axis, the share of national employment according to national accounts is provided. Eurostat collects this data from country submissions, but countries can use various sources and methodologies to derive their employment statistics.
Source: Based on EU-LFS, Lightcast and Eurostat table nama_10a64_e.

Annex 3.B. Front-end and back-end workers in retail

Occupations in the retail sector at the four-digit level were sourced from Lightcast for all European countries and manually categorized as either front-end or back-end roles. Since the EU-LFS identifies occupations at the three-digit level, further aggregation was necessary. A three-digit occupation is classified as front-end or back-end if all its corresponding four-digit occupations share the same classification. If there is a mix of front-end and back-end roles within a three-digit occupation, it is classified as indeterminate.

Annex Table 3.B.1. Occupations in the retail sector classified as front-end or back-end jobs

Classification	Occupation (3-digit ESCO code)
Front-end	Hotel and restaurant managers (141), Retail and wholesale trade managers (142), Medical doctors (221), Nursing and midwifery professionals (222), Paramedical practitioners (224), Veterinarians (225), Secondary education teachers (233), Primary school and early childhood teachers (234), Nursing and midwifery associate professionals (322), Traditional and complementary medicine associate professionals (323), Veterinary technicians and assistants (324), Travel attendants, conductors and guides (511), Waiters and bartenders (513), Hairdressers, beauticians and related workers (514), Street and market salespersons (521), Shop salespersons (522), Cashiers and ticket clerks (523), Child care workers and teachers' aides (531), Personal care workers in health services (532), Street and related service workers (951), Street vendors (excluding food) (952)
Back-end	Legislators and senior officials (111), Managing directors and chief executives (112), Business services and administration managers (121), Sales, marketing and development managers (122), Production managers in agriculture, forestry and fisheries (131), Manufacturing, mining, construction, and distribution managers (132), Information and communications technology service managers (133), Physical and earth science professionals (211), Mathematicians, actuaries and statisticians (212), Engineering professionals (excluding electrotechnology) (214), Electrotechnology engineers (215), Architects, planners, surveyors and designers (216), Traditional and complementary medicine professionals (223), University and higher education teachers (231), Vocational education teachers (232), Finance professionals (241), Administration professionals (242), Software and applications developers and analysts (251), Database and network professionals (252), Legal professionals (261), Authors, journalists and linguists (264), Creative and performing artists (265), Physical and engineering science technicians (311), Mining, manufacturing and construction supervisors (312), Process control technicians (313), Life science technicians and related associate professionals (314), Ship and aircraft controllers and technicians (315), Medical and pharmaceutical technicians (321), Financial and mathematical associate professionals (331), Legal, social and religious associate professionals (341), Artistic, cultural and culinary associate professionals (343), Information and communications technology operations and user support technicians (351), Telecommunications and broadcasting technicians (352), General office clerks (411), Secretaries (general) (412), Keyboard operators (413), Numerical clerks (431), Material-recording and transport clerks (432), Other clerical support workers (441), Cooks (512), Building and housekeeping supervisors (515), Market gardeners and crop growers (611), Animal producers (612), Mixed crop and animal producers (613), Forestry and related workers (621), Fishery workers, hunters and trappers (622), Building frame and related trades workers (711), Building finishers and related trades workers (712), Painters, building structure cleaners and related trades workers (713), Sheet and structural metal workers, moulders and welders, and related workers (721), Blacksmiths, toolmakers and related trades workers (722), Machinery mechanics and repairers (723), Handicraft workers (731), Printing trades workers (732), Electrical equipment installers and repairers (741), Electronics and telecommunications installers and repairers (742), Wood treaters, cabinet-makers and related trades workers (752), Garment and related trades workers (753), Other craft and related workers (754), Mining and mineral processing plant operators (811), Metal processing and finishing plant operators (812), Chemical and photographic products plant and machine operators (813), Rubber, plastic and paper products machine operators (814), Textile, fur and leather products machine operators (815), Food and related products machine operators (816), Wood processing and papermaking plant operators (817), Other stationary plant and machine operators (818), Assemblers (821), Locomotive engine drivers and related workers (831), Car, van and motorcycle drivers (832), Heavy truck and bus drivers (833), Mobile plant operators (834), Ships' deck crews and related workers (835), Domestic, hotel and office cleaners and helpers (911), Agricultural, forestry and fishery labourers (921), Mining and construction labourers (931), Manufacturing labourers (932), Transport and storage labourers (933), Refuse workers (961)
Indeterminate	Professional services managers (134), Other services managers (143), Life science professionals (213), Other health professionals (226), Other teaching professionals (235), Sales, marketing and public relations professionals (243), Librarians, archivists and curators (262), Social and religious professionals (263), Other health associate professionals (325), Sales and purchasing agents and brokers (332), Business services agents (333), Administrative and specialised secretaries (334), Regulatory government associate professionals (335), Sports and fitness workers (342), Tellers, money collectors and related clerks (421), Client information workers (422), Other personal services workers (516), Other sales workers (524), Protective services workers (541), Food processing and related trades workers (751), Vehicle, window, laundry and other hand cleaning workers (912), Food preparation assistants (941), Other elementary workers (962).

Annex 3.C. Cases

Annex Box 3.C.1. Bildungszentrum des Einzelhandels: a leading institution for retail training in Hannover

The Bildungszentrum des Einzelhandels (BZE) in Hannover, Germany, is a prominent vocational training centre focused on advancing skills and professional development within the retail sector. Founded over 60 years ago, BZE provides high-quality, industry-aligned education and training programmes for individuals and companies, catering to both new entrants and experienced professionals. Its offerings range from apprenticeships to advanced qualifications, making it a key player in preparing the workforce for Germany's dynamic retail landscape.

At the heart of BZE's approach is its commitment to delivering vocational training that aligns closely with industry needs. The centre offers a wide variety of courses, from basic retail skills to specialised programmes in areas such as logistics, leadership and business administration. BZE's curriculum is designed in close collaboration with industry stakeholders, ensuring that the content remains relevant and responds to the latest developments in retail, including technological advancements and changing consumer behaviour.

A key feature of BZE's educational model is its dual system of learning, which combines theoretical classroom instruction with practical on-the-job training. This approach allows participants to immediately apply their knowledge in real-world settings, bridging the gap between theory and practice. BZE has developed partnerships with numerous retailers, providing its trainees with valuable workplace experience, while employers benefit from a workforce trained to meet their specific operational needs.

BZE's offerings are diverse and inclusive, addressing the needs of different groups within the retail workforce. The centre provides apprenticeships for young people starting their careers, as well as advanced courses for mid-level managers and senior executives seeking to update their skills or specialise in new areas. The flexibility of the programmes allows participants to tailor their learning paths, choosing from full-time, part-time or modular courses depending on their schedules and career goals.

Beyond its focus on vocational training, BZE offers a range of professional development opportunities for businesses. Its corporate training services are designed to help companies enhance their operations by upskilling their employees in areas such as digital marketing, customer service, and supply chain management. These tailored programmes are customised to fit the specific needs of each organisation, ensuring that training outcomes translate into tangible business improvements.

The centre's modern facilities and state-of-the-art technology contribute to its reputation as a leading institution for retail training. BZE utilises the latest educational tools, including digital learning platforms and simulation environments, to create engaging and effective learning experiences. These resources are particularly important in preparing participants for the increasing digitalisation of the retail sector, equipping them with the skills necessary to manage e-commerce platforms, data analytics, and other digital tools.

BZE's focus on sustainability and corporate social responsibility is another crucial aspect of its training philosophy. The centre incorporates sustainability principles into its curriculum, teaching participants about environmentally responsible business practices and how to integrate them into retail operations. This emphasis on sustainability ensures that BZE graduates are well-prepared to meet the growing consumer demand for greener products and services, while helping businesses comply with evolving environmental regulations.

Annex Box 3.C.2. Fashion Retail Academy: shaping the future of retail in London

The Fashion Retail Academy (FRA) in London is a leading vocational education institution, offering specialised training in the fashion and retail industries. Founded in 2005 with backing from major fashion retailers and the UK government, the academy provides industry-focused education that prepares students for immediate employment in a fast-paced, competitive sector. The FRA's programmes are designed to bridge the skills gap in retail, ensuring that graduates are equipped to meet the demands of modern fashion businesses.

At the core of FRA's approach is its emphasis on practical, industry-relevant learning. The academy offers a range of courses, from diplomas to degree-level qualifications, all developed in close collaboration with retail leaders such as Arcadia, M&S, and ASOS. This partnership-driven model ensures that the curriculum is constantly updated to reflect industry trends, including the growing importance of digital skills, sustainability, and customer experience management.

FRA's curriculum is tailored to the needs of the fashion retail sector, offering a blend of technical knowledge and practical skills. Courses cover a variety of subjects including buying and merchandising, visual merchandising, digital marketing, and retail management. The academy also places a strong focus on digital transformation, offering specialised programmes in e-commerce, data analytics, and omnichannel retailing. This ensures that graduates are not only proficient in traditional retail operations but are also prepared for the increasing digitalisation of the fashion industry.

One of the FRA's distinguishing features is its emphasis on work-based learning. Many courses include work placements or internships with leading retailers, giving students hands-on experience in real-world settings. This approach provides students with valuable industry exposure and enhances their employability, as they graduate with both theoretical knowledge and practical skills. The FRA's close ties with industry partners ensure that students have access to a wide network of potential employers, making it easier for them to transition into full-time employment.

The FRA's flexible learning model caters to a wide range of students, from school leavers to those already working in the industry who are looking to upskill. Courses are available in full-time, part-time, and short-term formats, allowing students to fit their education around other commitments. This flexibility ensures that the academy remains accessible to a diverse student body, supporting career progression at different stages of an individual's professional journey.

In addition to its academic offerings, the Fashion Retail Academy is heavily involved in supporting businesses within the fashion sector. The academy provides tailored training programmes for companies looking to enhance their workforce's skills in areas such as leadership, customer service, and digital innovation. These corporate training services help businesses to stay competitive in an evolving retail landscape, where customer expectations and technological advancements are rapidly changing.

The academy's modern facilities, located in the heart of London's retail district, are another major asset. The campus is equipped with state-of-the-art classrooms, digital studios and collaborative learning spaces that reflect the environment of a modern fashion business. These facilities are designed to immerse students in a professional setting, allowing them to develop the practical skills needed for a successful career in fashion retail.

Sustainability is a growing focus within the FRA's curriculum, reflecting the increasing importance of environmentally responsible practices in the fashion industry. Students are taught about sustainable sourcing, supply chain management and ethical consumerism, ensuring that they are prepared to meet

the challenges posed by the shift towards greener retail practices. By integrating sustainability into its programmes, the academy helps students and businesses stay ahead of regulatory changes and consumer demands for eco-friendly products.

Source: https://www.fashionretailacademy.ac.uk/.

Annex Box 3.C.3. Skills4Retail: Addressing skills shortages in Europe's retail sector

Launched in 2023, Skills4Retail is an EU-funded initiative aimed at tackling critical labour and skills shortages in the retail sector across Europe. Funded by Erasmus+ and Partnerships for Innovation, the programme supports the retail sector's transition in three key areas: digital transformation, sustainability and resilience, collectively known as the "Triple Transition". Its objective is to equip retail workers with the necessary skills to navigate rapidly changing industry demands. It is led by a consortium of 30 partners from 9 EU countries, including retailers, educational institutions and training providers.

The foundation of the programme is the Retail Skills Strategy, informed by a comprehensive Occupational Profiles and Needs Analysis. This research identified the essential competencies needed across various roles within the retail sector, shaping the design of the Vocational Education and Training (VET) programme. This strategy addresses both immediate and long-term skills gaps by ensuring that the workforce is prepared for current and future challenges.

Skills4Retail offers an extensive range of training programmes, designed to meet the diverse needs of the retail workforce. These programmes are delivered through online platforms, in-person workshops and on-the-job training, making them accessible to a broad spectrum of participants, from entry-level employees to senior managers. The training covers digital literacy, e-commerce management, customer service, sustainability in retail and crisis management. A modular format allows participants to progress at their own pace, catering to the varied learning needs of employees across companies of different sizes, from small retailers to large multinational corporations.

A central component of the initiative is the Reactive Training Programme, aimed at addressing immediate skills shortages in select EU countries, including Austria, Romania, Ireland and Hungary. This short-term, modular programme focuses on urgent areas such as digital marketing, e-commerce and sustainable retail practices. Designed to be flexible and responsive, the programme allows participants to acquire and apply new skills quickly, helping businesses to adapt to the rapidly evolving retail landscape, particularly in the aftermath of the pandemic.

Dissemination activities are a key part of Skills4Retail, aimed at raising awareness of the programme and promoting knowledge exchange. Through initiatives like the "Retail Talks" series, the programme brings together industry leaders, policymakers and educators to discuss the skills needs of the retail sector. Additionally, workshops, roundtables and publications help to spread the lessons learned from the initiative, ensuring that best practices are shared widely across Europe.

The adaptive nature of Skills4Retail is another defining characteristic. Running through 2024, the programme is designed to evolve in response to participant feedback and emerging industry trends. The Retail Skills Strategy will be updated periodically to reflect new technological advancements and sustainability regulations. Future plans include expanding the VET curriculum to cover a broader range

of skills, ensuring that the retail workforce is not only prepared for current challenges but also equipped to handle future developments in the industry.

Source: https://skills4retail.eu/.

Annex Box 3.C.4. Retail Ireland Skillnet: developing skills in Ireland's retail sector

Retail Ireland Skillnet, a workforce development initiative within Ireland's retail sector, is part of 70 Skillnets established by the government to provide tailor-made training for companies across selected industries. Managed by Retail Ireland, the Skillnet business network that supports firms operating in the retail sector, this initiative focuses on upskilling employees at all levels, ensuring the sector has access to a skilled and adaptable workforce to employers' needs. Launched in 2000, the initiative targets the evolving needs of a sector becoming increasingly knowledge-intensive due to advances in digital technology and consumer preferences for e-commerce that generated a more competitive retail environment.

Collaboration with industry stakeholders is a key feature of the initiative. Retail Ireland Skillnet partners with industry leaders, trade associations and government bodies to ensure that its training programmes are aligned with national skills development priorities. Thus, the initiative tailors its training offerings through a strategic process that includes preliminary research and a partnership-driven "training needs analysis" to assess specific sector requirements. This ensures courses are practical and directly applicable, designed by retailers for retailers, maximising Retail Ireland Skillnet's impact on the sector's overall performance. Retail Ireland Skillnet has also been instrumental in addressing the digital skills gap within the sector. As more retailers shift towards e-commerce and online services, the initiative has expanded its focus on digital literacy, equipping employees with the tools needed to navigate the digital retail environment.

At the core of Retail Ireland Skillnet is a comprehensive approach to training that addresses key retail areas such as customer service, digital skills, management and leadership. The initiative's programmes is diverse, both in terms of length and skills focus, ranging from apprenticeships, certified practices, degrees and workshops, developed and delivered in collaboration with the Atlantic Technological University Donegal.

The 2-year apprenticeship in retail supervision is Retail Ireland Skillnet's stand-out program, designed to attract and retain talent by offering training as a key component of employment contracts. During this apprenticeship, the retail employee continues to work full-time whilst gaining qualification, focusing on applying knowledge in real-world scenarios, stimulating idea generation, and fostering workplace innovation. The program is aimed at both existing and aspiring retail supervisors and full-time retail employees.

Retail Ireland Skillnet also provides the Retail Practice Occupational Qualification program. This is a certified program conducted in the workplace, equipping frontline employees with essential skills in key retail sectors. Since its inception in 2005, this program has enabled thousands of frontline workers to gain the skills and confidence needed to progress in their careers. This certified practice entails workplace-delivered modules using a train-the-trainer approach to delivery of content and a flexible timing with modules delivered directly in the workplace. The practice has proved effective in improving performance and productivity, increasing employee retention, enhancing employee engagement and satisfaction and increased customer service and sales.

The Bachelor of Business in Retail Management Practice is a 3-year program, made of 19 days per year, specifically designed by Retail Ireland Skillnet to equip retail employees with practical skills, knowledge, and competencies that are crucial for effectively managing in a retail environment. The programme is centered around workplace improvement, which aims to bridge the gap between theoretical learning and practical implementation. Being primarily designed for current or aspiring retail managers, this degree programme is intended to accommodate the retail calendar, ensuring that learners can balance their work and study commitments.

Retail Ireland Skillnet finally organizes specific workshops designed for learners who can commit online or in-person from few hours to 2 days maximum of learning. These workshops include retail security & loss prevention, cyber security, personal safety & situational awareness and retail customer experience among the others.

Funding for these programmes is robust, supported by both government grants and industry contributions. Apprenticeships are notably cost-effective for employers, fully funded by a EUR 4 000 government grant, while degree programmes and short courses receive substantial subsidies. This financial strategy underpins a budget of EUR 2.5 million for Retail Ireland Skillnet, which includes contributions from national and EU sources.

The initiative successfully engages a diverse range of participants, evidenced by the 1 500 learners involved in 2024 across various programs. This includes a balanced representation of gender (55% females) and nationality (19% non-Irish), highlighting the broad appeal and inclusivity of the training provided. The 2024 apprenticeship program alone saw 167 new starters in its first year, registering a consistent growth compared to the 2021 figure of 115 starters. In 2024, 110 students who started the programme in 2023 progressed into Year 2, compared to the 79 students who commenced in 2021 that progressed to Year 2 in September 2022. The apprenticeship registered 100 expected graduates in 2024, compared to the 62 graduates from the 2021 cohort, showcasing the increasing interest towards the program and its scalability in terms of results.

Retail Ireland Skillnet has demonstrated a significant impact on the retail sector in Ireland through its comprehensive training initiatives. A key feature of its success is the ability to conduct detailed impact analyses, particularly through cohort-level studies of its apprenticeship programmes. While other practices, e.g. workshops, are too short and multifaceted to run cohort-level studies, apprenticeship impact studies provide valuable insights into the effectiveness of training, allowing Retail Ireland Skillnet to refine and tailor its offerings to better meet industry needs.

As part of apprenticeship evaluation studies, Retail Ireland Skillnet evidence how firms are increasingly offering learning & development (L&D) initiatives and upskilling to become more attractive for potential employees and retain the existing ones. Therefore, Retail Ireland Skillnet offers solid evidence on how L&D is becoming a key factor to companies' success and resilience.

Annex Box 3.C.5. Competence Boost for Commerce by the Swedish Retail and Wholesale Council

The "Competence Boost for Commerce" initiative, orchestrated by the Swedish Retail and Wholesale Council, exemplifies a collaborative approach to enhancing the skills landscape in the retail and wholesale sectors. This initiative garners support from an inclusive mix of stakeholders, including employees with academic education, cooperative employers, both blue-collar and white-collar workers, and Swedish Commerce, showing a robust governance model that fosters inclusive cooperation. This aligns closely with our recommendation to establish a new social pact for retail sector resilience and growth based on the cooperation of all relevant social parties involved.

The main goal of the initiative is to unite Swedish labour market participants engaged in the retail and wholesale sectors, aiming to strengthen the sector's competitiveness and provide good conditions for employees. The Council's structure comprises four main divisions to deliver its objectives: Occupational Health and Safety, Research & Development, the Competence Committee, and the Economic Council of Retail and Wholesale.

In particular, the work of the Competence Committee is devoted to encouraging and enabling more people to establish themselves and develop within the fields of retail and wholesale. Since 2019, the Competence Committee has developed the "Competence Boost for Commerce," a competence development program for commerce companies comprising 10 training modules with a focus on the digitalization of commerce and teacher training based on peer-to-peer learning. This program excels in mapping out critical skills and competencies needed to navigate the changing retail landscape, through a concerted effort involving all relevant parties, ensuring that the outcomes are deeply aligned with industry needs.

A peculiar aspect of the Competence Boost for Commerce initiative is the close dialogue between employers and employees – during four half-day workshops, each gathering 10-50 entrepreneurs and employees – that produced an inventory of competence needs for the retail and wholesale sectors. This resulted in a categorization and overall formulation of competence needs, with a final validation from 15 experts. The initiative went further with the formulation of sub-qualifications including knowledge, skills, responsibility, and autonomy for each. This process led to the formulation of educational goals based on the sub-qualifications identified. The identification of qualifications and sub-qualifications for each job led to the structuring of training programs, finally issued by the Swedish Retail and Wholesale Council.

Subsidized by EU co-financing, the initiative stands out for its accessibility, ensuring that there are no barriers to participation and making it a cornerstone for professional development in retail. From 2019-2022, the training program encompassed critical areas such as digital transformation, customer service excellence, and strategic management, preparing workers to excel in a rapidly evolving marketplace.

The initiative has demonstrated tangible success, engaging over 1 616 unique participants in peer-to-peer learning setups, which enhance practical application and retention of skills. From the success of this training initiative, the Council developed a curriculum for upper secondary vocational education and other projects that stemmed as ripple effects of the main initiative. From the analysis of the training outputs, the Council concluded that large companies demand more formation in leadership, customer interaction, and key performance indicators, while small companies prioritize customer journey, customer service, and digital marketing. Also, the Council highlighted more difficulties in reaching out to and prioritizing training for small companies compared to larger ones, which required more anchoring at the highest level to run the trainings. The main message stemming from the Council's output analysis

is that most companies in the retail sector are in demand for skills training, however, they lack a structure for the competence development of existing staff and are highly dependent on project funding.

Structured surveys play a crucial role in tailoring the initiative, collecting comprehensive data on competences across various retail roles throughout Sweden. This approach not only helps in customizing training programs but also aids in the strategic planning and policymaking within the retail sector.

By merging structured feedback with adaptive learning frameworks, the Competence Boost for Commerce initiative serves as a model for targeted upskilling, driven by a clear vision to support sustainable growth and resilience in the retail industry.

Source: https://handelsradet.se/

Annex Box 3.C.6. Mobilisationemploi.gouv.fr – Improving job matching in France's retail sector

Mobilisationemploi.gouv.fr, a French government platform launched in May 2021 in response to the COVID-19 pandemic, has emerged as a key tool for improving job matching in the retail sector. Designed to address the acute labour shortages caused by the economic downturn, the platform connects job seekers with employers, particularly in industries like retail, which saw a high demand for workers as the economy began to recover.

The platform simplifies the recruitment process by centralising job offers from employers across France, offering a quick and accessible way for job seekers to find opportunities in the retail sector. The system is integrated with national employment services, providing a wide reach and ensuring that both employers and job seekers benefit from a streamlined job-matching process. By bringing together a variety of job offers in one place, the platform reduces the time and effort required for businesses to fill vacancies, particularly for entry-level retail positions where turnover is high.

Mobilisationemploi.gouv.fr also prioritises flexibility and responsiveness, allowing job seekers to search for positions by region, sector, or contract type. This adaptability is particularly useful for retail, where roles often vary widely in terms of required skills and working conditions. The platform's interface is user-friendly, making it accessible to a broad range of users, from low-skilled workers to experienced professionals looking for managerial positions in retail.

One of the platform's key features is its ability to quickly adapt to changing labour market conditions. During the pandemic, retail was one of the sectors hit hardest by fluctuating demand and operational restrictions. Mobilisationemploi.gouv.fr played a crucial role in ensuring that retailers could quickly find employees, particularly during periods of high consumer demand, such as the reopening of stores and the holiday season. This responsiveness helped retail businesses maintain continuity and service levels in a volatile environment.

The platform also fosters collaboration between government services, training providers and retail businesses. Employers can easily list vacancies, and the government facilitates connections between job seekers and open positions, creating a more coordinated effort to address retail labour shortages. Additionally, the platform integrates with training initiatives, allowing job seekers to access information on upskilling opportunities relevant to the retail sector, thereby improving their employability and long-term career prospects.

Source: https://www.francetravail.fr/region/guadeloupe/candidat/conseils-a-lemploi/plateforme-mobilisation-emploi.html; https://travail-emploi.gouv.fr/la-plateforme-mobilisation-emploi-senrichit-avec-des-offres-demplois-saisonniers

Annex Box 3.C.7. Job Bank's role in improving job matching in Canada's retail sector

The Canadian Job Bank platform, operated by the federal government, plays a critical role in matching job seekers with employment opportunities across various industries, including retail. With a high turnover rate and an ongoing demand for roles such as sales associates, cashiers, and store managers, the retail sector benefits significantly from this platform's user-centric approach to job matching.

One of the standout features of Job Bank is the Job Match function, which simplifies and speeds up the hiring process. Job seekers create detailed profiles that include their skills, education, work experience, and employment preferences. The system then uses advanced algorithms to match them with available jobs that fit their qualifications. Retail employers can also use the platform to search for and view these profiles, selecting candidates whose experience aligns with their needs.

The platform's matching algorithms offer flexibility, allowing users to adjust the level of precision in their matches. Job seekers can switch between "default" and "strict" matching settings, with the latter filtering jobs more closely aligned with their profile, reducing irrelevant suggestions. This is particularly helpful in retail, where varying levels of experience are required depending on the role. For example, a store manager may need prior leadership experience, while entry-level roles may prioritise soft skills like communication and customer service.

Job Bank goes beyond basic job postings by offering job seekers tools to enhance their employability. The platform includes features like automatic resume creation based on profile information, which ensures that candidates have professional, ready-to-use resumes when a match is found. For retail workers, who may not always have formal CVs, this feature helps ensure a smoother application process.

Additionally, Job Bank integrates with career planning resources and vocational training programmes, allowing job seekers to improve their skills. This is especially useful for the retail sector, where digital skills (such as e-commerce management) are becoming increasingly valuable. By linking job seekers to relevant training opportunities, Job Bank helps them stay competitive in a market that is rapidly embracing digital transformation.

For employers in the retail sector, Job Bank provides a reliable and accessible way to reach a large pool of potential candidates. With over 300 000 employers recruiting through the platform, retail businesses can post vacancies, view job seeker profiles, and even invite candidates to apply directly, streamlining the hiring process. The platform's centralised nature ensures that employers can efficiently connect with candidates who possess the right skills, reducing recruitment times for high-demand roles like seasonal workers during peak shopping periods.

Retail employers also benefit from the system's ability to automatically filter and rank candidates based on compatibility. This helps small and medium-sized retail businesses, which may lack dedicated HR teams, efficiently identify top talent without spending excessive time on manual searches.

During the COVID-19 pandemic, the platform proved essential in supporting the retail sector's hiring needs. As consumer habits shifted towards e-commerce, many brick-and-mortar retailers required staff with digital skills to manage online orders, logistics, and customer service. Job Bank adapted by prioritising job postings in these areas and linking job seekers with digital upskilling opportunities, ensuring the workforce remained agile and capable of meeting new market demands.

Job Bank has become an indispensable tool for job matching in Canada's retail sector. Its comprehensive features, from flexible matching algorithms and resume creation to employer-friendly

recruitment tools, make it easier for both job seekers and retail businesses to connect efficiently. By integrating career support and training opportunities, the platform not only fills immediate vacancies but also helps future-proof the retail workforce by fostering continuous skills development. Through this initiative, Canada's retail sector remains competitive, adaptable, and capable of meeting the evolving needs of the labour market.

Source: https://www.jobbank.gc.ca/home.

Annex Box 3.C.8. Keeping track of labour market tightness in the Netherlands

The Dutch public employment service publishes an online "Labour Market Tightness Indicator," offering real-time insights into labour market dynamics across various sectors and regions. Updated regularly, this tool uses job vacancy rates and unemployment figures to calculate the tightness ratio – the number of job vacancies per unemployed worker. A higher ratio indicates a tighter market, with fewer available workers and increased competition among employers, while a lower ratio suggests less competition for jobs.

This tool is essential for Dutch policymakers in identifying areas needing intervention, helps employers understand the competitive landscape for attracting talent, and guides job seekers towards areas with more opportunities. Accessible through the werk.nl dashboard, the Labour Market Tightness Indicator promotes transparent labour market analysis and supports balanced economic development across different regions and industries.

The Dutch monitoring system also includes an "Indicator of Vacancies by Sector," provided by Statistics Netherlands (CBS). Introduced in the wake of the COVID-19 pandemic, this tool offers real-time insights into job vacancies across different economic sectors. By tracking these vacancies, the indicator directly measures labour demand within specific industries, highlighting sectors experiencing growth and those facing potential labour shortages.

The CBS indicator is particularly useful for businesses, policymakers, and analysts, helping identify employment demand trends and enabling proactive responses to market changes. For example, a sudden rise in vacancies in a given sector could signal a booming industry in need of rapid workforce expansion, while a decline might suggest contraction or increased automation. This sector-specific data not only addresses immediate labour market mismatches but also supports long-term economic planning for training and education to meet future labour market demands. Accessible through the CBS website, this tool is invaluable for anticipating and responding to sector-specific labour shortages.

Source: https://www.werk.nl/arbeidsmarktinformatie/dashboards/spanningsindicator; https://www.cbs.nl/en-gb/figures/detail/80474eng

Annex Box 3.C.9. Monitoring labour market trends in the Autonomous Province of Trento

The Autonomous Province of Trento has established a comprehensive system for monitoring local labour market trends, drawing on a combination of national surveys, local firm data and real-time reporting. This approach allows for timely identification of labour shortages and supports targeted policy responses.

At the core of this system is the Excelsior survey, a national tool managed by the Italian Chambers of Commerce. Conducted monthly, the survey collects data from over 500 000 firms across Italy, providing insights into labour market demand, recruitment challenges and anticipated employment trends. For Trento, this national data is crucial in identifying regional labour shortages, particularly by sector, and shaping workforce development strategies in response.

In addition to the Excelsior survey, the Trento Chamber of Commerce conducts quarterly economic surveys to assess local business conditions. These surveys capture key indicators such as turnover, employment changes, and business sentiment. The flexibility of the survey design allows it to adapt to emerging trends, such as teleworking in the aftermath of the COVID-19 pandemic outbreak, ensuring that labour market monitoring remains relevant to current economic realities.

The Trento Agency for Labour plays a central role in real-time monitoring through the mandatory *comunicazioni obbligatorie* system. Employers are required to report hirings, terminations and contract changes, enabling the Agency to generate detailed monthly reports on employment flows. This data is disaggregated by sector, contract type, gender and age, offering a granular view of workforce dynamics across the province. The real-time nature of this data ensures that labour market shifts can be tracked as they happen, allowing for more immediate interventions where needed.

The Provincial Institute of Statistics (ISPAT) complements these efforts by focusing on employment among Trentino residents, whether they work within or outside the province. This dual perspective – tracking jobs within Trento and the employment status of its residents – provides a comprehensive view of local labour market conditions.

By integrating multiple data sources, Trento's system enables a detailed assessment of labour shortages and skills mismatches dynamics. By doing so, Trento's integrated system continuously monitors labour market trends and recruitment challenges, identifying sector-specific labour and skills shortages. It provides policymakers with real-time data to optimize workforce planning and policies, enhances coordination between public institutions and social partners for targeted responses, and anticipates future labour market shifts and skills mismatches for strategic planning. Ultimately, it supports economic resilience by aligning workforce development with evolving industry needs.

This approach has been particularly effective in identifying vulnerable sectors and informing targeted policies, resulting in positive outcomes such as recruitment campaigns and specialised training programmes. For example, Trentino launched the "Trentino for Talent" initiative to address local skills shortages in high-demand sectors like engineering and IT, leveraging insights from its monitoring system. Jointly run by Trentino Sviluppo and the Labour Agency, the project combines targeted marketing with job matching services. Since its launch in February 2023, the project has attracted 745 applications and facilitated the hiring of 68 candidates by mid-October 2024, effectively bridging local skills gaps and boosting the region's competitiveness.

Source : https://excelsior.unioncamere.net/; https://www.tn.camcom.it/; https://www.agenzialavoro.tn.it/.

Annex Box 3.C.10. A multilevel approach to skills forecasting in Flanders

The Flemish skills forecasting framework is an innovative approach designed to generate valuable skills intelligence, which informs labour market policies across various levels in Flanders. This framework addresses the pressing need for aligning education and training with the evolving demands of the labour market, helping stakeholders at regional, sectoral, and business levels anticipate and prepare for future skills requirements.

Structured across three levels – macro, meso, and micro – the framework tailors its insights for different target groups, including citizens, companies, intermediaries, and sector organisations. At the macro level, the Government of Flanders has commissioned a comprehensive labour market projection model to analyze labour trends, thereby enabling policymakers to adopt proactive measures. This model, developed by KU Leuven and scheduled for completion by 2026, leverages both data-driven projections and qualitative inputs to provide insights into future skill demands across occupations and sectors.

On the meso level, Strategic Skills Forecast (SCOPE) projects, funded by the European Social Fund Plus (ESF+), delve into specific skills requirements for various sectors, clusters, and innovations, including for retail. These projects establish partnerships among stakeholders in education, training, business, and innovation, aiming to address local skill needs. Using the VLAMT methodology, SCOPE projects generate actionable insights and culminate in action plans that commit partners to addressing identified skills gaps. This component is particularly significant for Flanders, where industries struggle with labour shortages and require targeted upskilling to navigate economic transitions, such as green and digital shifts.

At the micro level, skills forecasting aids businesses through Competence Checks, which support SMEs in aligning their workforce capabilities with market needs. Through these ESF+-funded projects, SMEs receive tailored guidance to map skills requirements, thus fostering proactive HR strategies. This initiative is currently operational and aims to reach over 600 SMEs by the end of 2024, helping them build resilience in a rapidly evolving labour market.

The impact of this framework has been substantial. Macro-level projections provide occupational and sector-specific forecasts, assisting policymakers in designing relevant labour market interventions. Since 2013, 27 SCOPE studies have produced skill projections that underpin the development of new training programs and curricula, resulting in 57 courses launched in 2023 alone. These insights are also used by sectors to update the Flemish Qualification Framework, ensuring occupational qualifications remain relevant. Though the Competence Checks are ongoing, they have already shown promise in enhancing SMEs' capabilities to address future skill needs.

For other regions, the Flemish case offers valuable lessons. Its multilevel approach ensures that skills forecasting can cater to a range of stakeholders and objectives, creating a more targeted and effective system. Additionally, the emphasis on partnerships in SCOPE projects fosters a collaborative environment that drives meaningful change within sectors. By focusing on the impacts of digitalisation, new technologies, and sustainability, the framework is able to address long-term skill needs across diverse industries. Going forward, expanding the framework into a skills observatory with a unified skills language could enhance its impact, creating an integrated platform for skills intelligence that other communities could adapt to foster resilience and innovation in their own labour markets.

Annex Box 3.C.11. Post-COVID workforce retention in the UK retail sector

In the wake of the COVID-19 pandemic, UK retailers encountered significant workforce retention challenges, as 21% of retail employees expressed intentions to leave the industry. In response, retailers introduced several initiatives to improve working conditions and address key concerns among employees.

One prominent initiative involved enhancing mental health support. Many companies saw a sharp rise in mental health issues, with over 80% of employees reporting a decline in well-being. In response, managers were given mental health training to help address these issues. Retailers partnered with external organizations to provide support services, creating open environments where employees could discuss personal challenges without fear of judgment. This helped boost employee morale and foster a more supportive workplace environment.

Financial well-being also became a focal point, as rising living costs put additional pressure on employees. Some companies introduced financial support measures, such as one-off payments or access to financial planning services, to help employees manage personal budgets. These financial interventions were aimed at alleviating stress caused by the cost-of-living crisis, which had worsened in the wake of the pandemic.

Another critical area was the implementation of flexible working arrangements. Companies in sectors like logistics and distribution introduced more flexible hours and remote work options, which allowed employees to better manage their work-life balance. These measures were particularly effective in addressing the needs of workers with caregiving responsibilities, contributing to improved job satisfaction and retention.

Retailers also focused on addressing the rise in customer abuse, a growing problem since the pandemic. Staff were trained on how to handle difficult interactions, and technology like self-service checkouts was expanded to reduce direct confrontations with customers. This helped alleviate the emotional strain on frontline workers and improved their overall work experience.

In addition to these measures, leadership within many companies improved communication with staff, ensuring that employees felt heard and valued. Regular feedback sessions and transparent decision making processes were introduced to build trust between employees and management, further strengthening workforce retention.

Sources: https://www.retailtrust.org.uk/news/one-in-five-retail-workers-plan-to-quit-the-retail-industry/1112.article; https://brc.org.uk/insight/content/monitors/retail-jobs-report/reports/retailjobsreportdec21/; https://www.cipd.org/globalassets/media/knowledge/knowledge-hub/reports/2024-pdfs/8614-lmo-spring-report-2024-web.pdf

Annex Box 3.C.12. The 2024 collective bargaining agreement in Germany's retail sector

In 2024, after more than a year of complex negotiations, a landmark collective bargaining agreement was reached between Ver.di, one of Germany's largest trade unions, and retail sector employers, represented by the German Retail Federation (HDE). This agreement marked the conclusion of a challenging process involving dialogue, strikes and compromise, and secured important financial and job security benefits for retail workers.

The central aspect of the agreement was the wage increase for full-time and part-time employees, phased over three years. This was a key victory for Ver.di, which had advocated for substantial wage hikes to address inflation and the rising cost of living. Retail workers saw their wages rise by 5.3% in October 2023, followed by further increments in the following years, ultimately amounting to an approximate EUR 400 increase per month for full-time staff. Employers, while agreeing to these demands, ensured that the phased implementation allowed them to manage costs effectively without compromising the sector's competitiveness.

Employers played a critical role in shaping the final deal, particularly in securing the long-term viability of the agreement. Their focus was on maintaining a balance between improving workers' conditions and ensuring the financial stability of businesses in a sector still recovering from the economic impact of the COVID-19 pandemic. To this end, the inclusion of a one-off inflation compensation bonus, a common feature in recent agreements, was a key compromise. This EUR 1 000 payment provided immediate relief to workers without embedding permanent wage increases that could have destabilised smaller retailers.

In addition to wage increases, the agreement enhanced pension contributions, with a 40% rise in the collectively agreed pension scheme. This was a significant achievement for both parties, as it not only improved the long-term financial security of workers but also addressed employers' concerns about providing meaningful, sustainable benefits.

Dialogue and compromise were at the heart of the 2024 negotiations. While Ver.di's advocacy for wage increases and better working conditions was vital, the role of employers in negotiating a phased, sustainable agreement ensured the sector's stability. The agreement demonstrates the effectiveness of Germany's collective bargaining model, where both unions and employers engage in productive dialogue to reach solutions that benefit both workers and the industry.

Sources: https://www.verdi.de/themen/geld-tarif/++co++416caad6-d9f8-11ed-9920-001a4a16012a#:~:text=Runde.,September%202025 ; https://einzelhandel.de/presse/aktuellemeldungen/14505-durchbruch-nach-mehr-als-zwoelf-monaten-verhandlung-tarifabschluss-im-einzelhandel-in-hamburg.

Annex Box 3.C.13. Collective bargaining as a driver of competitiveness in France's food retail sector

Collective bargaining played a pivotal role in the reform of vocational training and the improvement of working conditions in France's retail sector, particularly following the implementation of the Bill for the Freedom to Choose One's Professional Future (Law n° 771-2018). This law aimed to transform the vocational training landscape, making it more adaptable to business needs, especially for SMEs, while enhancing access for young and low-qualified workers. The 2021 collective agreement in the food retail sector, the *Convention collective nationale des métiers du commerce de détail alimentaire spécialisé*, further built on this reform, aligning training policies with sector-specific requirements.

The 2018 law was a landmark in France's labour market reform, aimed at standardising apprenticeship funding and broadening the scope of vocational training to ensure the system was more responsive to the evolving demands of the economy. By facilitating greater access to training, particularly for SMEs and targeting young, less-qualified workers, the law sought to address key skills gaps while improving inclusivity in the workforce. A key innovation was the creation of *France Compétences*, a central agency overseeing training governance, ensuring quality, regulating prices and balancing funding across sectors. The introduction of the Personal Training Account, shifting from hours to euros, made training more accessible via a digital platform, especially for SMEs with limited resources. This empowered employers and employees to shape training programs aligned with market demands, fostering a more dynamic and adaptive labour market.

In 2021, the food retail sector expanded on the 2018 law with a collective agreement specifically tailored to the needs of its diverse, often low-skilled workforce. This agreement aimed to improve access to vocational training, particularly for SMEs, and linked training programs directly to career progression, job security and better working conditions. Central to the initiative were work-study programmes (Pro-A), which provided an effective pathway for integrating employees into companies, especially in smaller businesses. The agreement also introduced individual development plans and mandatory professional interviews, offering a structured approach to continuous skill advancement and career planning.

Furthermore, the agreement prioritised inclusivity by focusing on young workers and those with fewer qualifications, addressing significant skills gaps in the sector. It also promoted upward mobility for part-time and low-wage employees, aiming to create more equitable opportunities. By enhancing the skills of the workforce, the agreement supported greater productivity and adaptability in a sector facing rapid changes due to technological advancements and market demands. This approach was particularly valuable for smaller retailers, which had previously struggled to provide structured training due to limited resources, thus enabling them to better compete in a challenging business environment.

Sources: https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000037367660;
https://www.legifrance.gouv.fr/conv_coll/id/KALITEXT000044065250

Annex Box 3.C.14. The "customer is always right" and the safety of retail workers

In the retail sector, particularly in front-end jobs with frequent customer interactions, safety concerns have become increasingly significant. Growing evidence shows that retail employees often face verbal assaults and harassment from customers, creating a hostile work environment and deterring people from entering or staying in the sector. Harassment is a kind of workplace violence that may be inflicted by clients on the clerks and requires the implementation of preventive measures (Acquadro Maran and Varetto, 2021[28]). Stakeholders have identified these safety concerns as contributing to staffing shortages, making their resolution a priority both to make the sector more attractive for new workers and to retain the existing ones.

Safety concerns among retail workers reflect a global challenge in the sector, including in Europe. In February 2024 the British Retail Consortium published figures showing that shop workers are experiencing an alarming increase in violence and abuse, with an average of 1 300 incidents reported daily in 2022-2023. This surge included racial abuse, sexual harassment, physical assaults, and threats with weapons, all of which rose by 50% compared to 2021-2022. For these reasons, retailers are urging the government to create a specific offense for assaulting, threatening, or abusing retail workers. On the employers' side, some companies are already implementing measures to protect employees, such as allowing workers to display only their first names on badges and banning abusive customers.

To offer increased protection to the country's retail workers, in 2021 Scotland (United Kingdom) introduced new legislation, creating a new offence for situations where a retail worker is assaulted, threatened or abused while engaged in their duties. The offence can result in a fine, with penalties escalating to a prison sentence, depending on the aggravation. Committing such an offence while a retail worker is enforcing a statutory age restriction (for example, asking for proof of age from someone trying to buy alcohol) also constitutes an aggravation. Also, this Scottish intervention mandates police to document all retail crime incidents, with the aim to further act as deterrence for assaults.

In countries like Japan, where customer service is traditionally held in high regard, cases of customer aggression towards retail workers have risen and policymakers adopted new solutions to tackle the issue. A recent union survey revealed that nearly half of service sector workers had experienced verbal abuse, excessive demands or physical violence from customers – referred to as kasuhara (customer harassment). In response, Tokyo is introducing the country's first ordinance to protect retail workers, effective from April 2024. Although it lacks penalties, the ordinance aims to raise awareness and discourage abusive behaviour.

Improving safety in retail can make it a more attractive employment option, particularly in a sector where female participation is high. Addressing these concerns can help ease staffing shortages by making retail jobs more appealing to current and prospective workers. Preventive measures should be tailored to address workplace violence perpetrated by clients on workers, including coping strategies (e.g., assertive communication and reporting to work management or police).

Source: "Just another day in retail": Understanding and addressing workplace sexual harassment in the Australian retail industry - ANROWS - Australia's National Research Organisation for Women's Safety; brc-crime-survey-report-media-2024.pdf
New legislation introduced for the protection of Scotland's retail workers - Police Scotland; https://uazensen.jp/2024/06/12/101142.

Annex Box 3.C.15. The EU online interactive risk assessment platform (OiRA)

The Online interactive Risk Assessment (OiRA) tool, developed by the European Agency for Safety and Health at Work (EU-OSHA), is a resource for enhancing workplace safety across the European retail sector. Designed especially for micro and small enterprises, OiRA provides a free platform to help businesses identify, assess, and manage occupational risks, including those stemming from interactions with demanding or aggressive clients.

For instance, the issue of demanding clients, aggressive behaviour or sexual harassment are covered in the assessments of the Greek Hellenic Ministry of labour and social affairs for supermarkets, for all types of shops from the Croatian Ministry of labour, pension system, family and social policy, and the Slovenian Ministry of Labour, Family, Social Affairs and Equal opportunities.

The available risk assessment are broader than relation of clients. Other occupational hazards, from working with dangerous tools, to repetitive movements, body position and the risk of standing for long periods at a time can be addressed using the tools on this platform.

Source: OiRA – Online interactive Risk Assessment, European Agency for Safety and health at Work.

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Notes

[1] These may not be full-time equivalent jobs. National accounts data from Eurostat suggest there were 16.9 million workers in the retail sector across EU countries in 2022 (Eurostat table nama_10_a64_e). The European Commission counts 30 million workers in the broader ecosystem, which includes wholesale and other related sectors (https://single-market-economy.ec.europa.eu/single-market/services/retail_en) .

[2] Germany: approximately 84 million people; France: around 68 million people; Italy: about 59 million people, Spain: roughly 48 million people; Poland: around 38 million people.

[3] See Annex 3.B for more details about the classification of "front-end" and "back-end" jobs.

[4] Similarly, the share of jobs that do not involve direct interaction with customers, i.e. "back-end" jobs, increased in all but four of the observed European countries during the same period.

[5] For further details on the methodology see OECD (2022[24]).

[6] Only in Cyprus and Lithuania, retail job postings are more likely to request tertiary degree. As the sample size for these countries is limited, it could be that these results are driven by the specific selection of vacancies that are posted online, and not a good reflection all jobs present in the retail sector of those countries.

[7] The OECD uses indicators of foreign-born individuals instead of nationality to gain insights on international migration because the laws governing the acquisition of new nationality differ across

countries, making nationality less comparable across countries. Place of birth, however, provides a consistent basis for comparison across countries. Therefore, people classified as foreign-born may still be nationals of the countries in which they reside or work.

[8] Involuntary part-time workers can also be observed through the reason why people are in a part-time job, one of which is the inability to find a full-time job. For almost all countries, this yields very similar measure of involuntary unemployment. Except for Italy, where about half of respondents in part-time employment indicate that a full-time job was not available.

[9] Sample sizes for the retail sector employ by contract length are too low for some countries to satisfy reporting requirements and are therefore missing from the chart not mentioned in the text.

[10] These countries are Estonia, Latvia, Lithuania, Luxembourg, Malta, Slovenia, Bulgaria, Cyprus, the Slovak Republic and Switzerland. For Switzerland, only 2023 is used, as data for the year 2021 is not available.

4 Harnessing the twin transition to revitalise retail SMEs in town and city centres

The twin transition is reshaping urban retail. E-commerce, remote work and demographic change are altering shopping patterns and reducing footfall in central areas, while sustainability concerns and energy costs push retailers to green their operations. National and local policies can support digitalisation, energy efficiency, circular models and urban logistics, alongside investments in public space, transport and cultural activities to boost town and city centres' vitality. Effective governance, public-private partnerships and robust monitoring are crucial to balance revitalisation with inclusiveness, prevent displacement and ensure retail contributes to vibrant, resilient town and city centres.

Navigating the twin transition: Challenges and opportunities for retail SMEs in cities

Introduction

Retail SMEs are the backbone of city centres, supporting vibrant and economically sustainable communities. However, they are facing profound transformations such as shifting consumer habits, demographic change and digital disruption that lead to a range of challenges in cities that include rising vacancy rates. Yet these local businesses are also key to ensuring vibrant, resilient communities. As the green and digital transitions accelerate, these trends bring both new pressures and critical opportunities for retail renewal.

The digital shift – particularly the rapid rise of e-commerce and multi-channel retailing – is reshaping how consumers engage with physical shops. Retailers must now navigate through changing expectations around convenience, personalisation and online presence. Yet, many SMEs, in particular in smaller cities, lack the resources and digital infrastructure to adapt. Similarly, the green transition requires retailers to adopt more sustainable practices, from energy efficiency and waste reduction to low-emission logistics and circular business models. These changes are increasingly demanded by consumers and driven by regulation but present real challenges for SMEs with limited financial and workforce capacity for transformation.

Despite these hurdles, the twin transition offers a chance to rethink and revitalise retail in urban areas. The rediscovery of local commerce during the COVID-19 pandemic, growing interest in proximity economy and consumer appetite for sustainable and digitally enabled shopping experiences point to emerging pathways for city centre retail's renewal. Enhancing the environment in which retail SMEs operate can create more attractive, accessible, and resilient commercial areas that strengthen local identity and improve quality of life for residents and visitors. This chapter explores how demographic, economic and spatial trends in cities intersect with the twin transition in cities, and outlines the policies needed to help retail SMEs adapt, compete and thrive in a rapidly evolving landscape.

Challenges and opportunities for retail SMEs in cities brought by the digital transition

The evolutions of retail: The rise of e-commerce and the future of physical stores

The rise of e-commerce since the 2000s has been reshaping retail dynamics. Notably, it has weakened brick-and-mortar retail in city centres, particularly in small and medium-sized cities, as consumer behaviour has shifted toward online shopping for everyday needs (Delage et al., 2020[1]; Verhetsel, Beckers and Cant, 2022[2]). This rapid expansion of e-commerce has also been driven by consumer preferences for convenience and time efficiency. Studies highlight that shoppers can perceive the in-store experience as burdensome, preferring to allocate their time to leisure or other personal activities (Colla and Lapoule, 2012[3]). A study conducted in South Africa found that, among various motivational factors contributing to shopping apathy, convenience emerged as the most widely agreed-upon reason. Scoring 3.93 out of 5 (with 5 indicating strong agreement) among the 250 respondents, this finding helps explain the growing shift of consumers toward online shopping (Makhitha and Mbedzi, 2024[4]). Online grocery shopping offers the flexibility to purchase goods at any time, eliminates physical effort and helps consumers control impulse purchases by facilitating more rational buying decisions. These dynamics were exacerbated during the COVID-19 pandemic, which triggered a surge in online consumption and normalised new purchasing habits (Beckers et al., 2021[5]; 6t-bureau de recherche, 2022[6]).

The pandemic also accelerated the transition to multi-channel retailing and click-and-collect services and demonstrated the interconnected relationship between physical and online retail (Nanda, Xu and Zhang, 2021[7])**.** Physical stores often serve as "showcases" that enhance a retailer's

online presence. For example, the opening of a new physical store by one of the market leading retailers in the United Kingdom leads to an average increase of online penetration in the same locality by up to 30% (Jones and Livingstone, 2017[8]). The growing integration between online and physical retail has strengthened the dominance of out-of-town retail parks and large urban retail centres. These formats are particularly well positioned to support multi-channel and click-and-collect services, due to their capacity to offer high-quality digital interfaces and efficient, service-oriented logistics. This shift points to the reconfiguration of retail models rather than the decline in brick-and-mortar retail through the incorporation of new retail formats (Colla and Lapoule, 2012[3]).

Despite the growing prominence of e-commerce, some consumers remain apprehensive about online purchases. The complexity of digital platforms, challenges in assessing product quality – particularly for perishable goods, delivery costs and the absence of social interaction are among the main disadvantages of online shopping for consumers. Furthermore, the risk of late or incomplete deliveries, as well as deliveries containing unsatisfactory items that need to be returned, can negatively impact the overall customer experience. Additionally, some consumers find online shopping monotonous and continue to visit physical stores for certain product categories where they prefer to retain greater control over selection.

The adoption of new technologies by small retailers can improve competitiveness and customer engagement

Although e-commerce and digital technologies present challenges for city-centre retail SMEs, they also offer significant opportunities by allowing them to compete in an increasingly digital marketplace by optimising store operations (Zukin, Kasinitz and Chen, 2017[9]). The shift to digital commerce offers the potential to enhance operational efficiency, expand market reach – e.g. online storefronts or marketplaces allow retailers to sell beyond their local customer base – and improve consumer engagement through smart inventory management – e.g. real-time analytics helps predict demand, avoid stockouts or overstock and automate reordering – and integrated online-to-offline services – e.g. consumers can order online and pick up in-store. Digital solutions enable SMEs to enhance operations by better managing payments or by attracting new customers through websites and social media. E-commerce also enables SMEs to reduce operational costs, as for instance the payment of rent and salaries, and expand sales to international markets (OECD, 2023[10]). However, retail SMEs require targeted policy support from national and local policymakers, including investments in local high-speed internet infrastructure, financial incentives for digital adoption and tailored training programmes to upskill workers.

As traditional brick-and-mortar stores face intensifying competition from e-commerce, the strategic use of in-store technologies (ISTs) – digital tools integrated into physical retail spaces – can enhance consumer experience (Alexander and Kent, 2022[11]; Wang et al., 2023[12]). These technologies range from self-checkout systems and mobile payment solutions to immersive experiences powered by augmented reality and virtual reality (see Table 4.1). For example, fashion retailers have increasingly adopted ISTs such as interactive mirrors, virtual fitting rooms and digital signage to improve customer engagement and streamline omnichannel integration. The integration of gamification – the integration of game-like elements and mechanics into the shopping experience to engage customers, influence purchasing behaviour, and enhance brand loyalty – within the retail sector also presents a transformative opportunity to enhance customer engagement and experience, strengthen brand loyalty, and foster more sustainable retail experiences. By leveraging augmented reality, co-creation experiences and sensory-driven engagement, retailers can shift consumers from passive shoppers to active participants, while increasing footfall and prolonging dwell times. The adoption of digital tools and payment systems can also increase customer outreach across diverse demographics (e.g. younger consumers), and enhance user experience, offering convenience and security-related benefits, compared to traditional payment methods (e.g. cash-on-delivery).

Table 4.1. Classification of in-store technologies used by fashion retailers

Category	Technology	Example
Info/product display technologies	Virtual catalogue, digital wallpaper, digital signage	Large screens to display branded content. Virtual wardrobe, giving access to full collection, product information, outfit choices.
Shopping experience technologies	AR – virtual mirror, virtual fitting room, visual search	Connected mirrors. Virtual try on app. Try on experience store.
Information search technologies	Tablet, QR code	QR codes used for product information. Digital product ID smartphone scan. Tablets for search and shop.
Payment technologies	Self-checkout	Self-checkout stations. Mobile check-out; "Speed Shop" – reserve online, try-on in store. Mobile wallet via the app. E-receipts.
Other technologies/services	Click and collect, self-service kiosk, vending machine	Self-service kiosk for collecting online orders in-store. Hubs for click and collect, drop off returns, order online, and alterations.

Source: Alexander and Kent (2022[11]), *Change in technology-enabled omnichannel customer experiences in-store*, https://doi.org/10.1016/j.jretconser.2020.102338, adapted from Pantano and Gandini (2017[13]), *Exploring the forms of sociality mediated by innovative technologies in retail settings*, http://doi.org/10.1016/j.chb.2017.02.036.

The impact of teleworking and hybrid work models on urban retail dynamics

The widespread adoption of teleworking has significantly altered urban retail dynamics. This is particularly the case in city centres and capital regions where jobs are more amenable to remote work than other types of regions (OECD, 2020[14]). In European OECD countries, around 40% of jobs are amenable to teleworking in cities (OECD, 2020[15]). On average, the share of people teleworking increased by 11% in cities, 6.5% in towns and suburbs, and 4.8% in rural areas between 2019 and 2022 in the EU (Eurofound and European Commission Joint Research Centre, 2024[16]). This persisting shift has been driven by higher shares of occasional remote work (working from home less than half the time), which continued to grow even as the share of more regular remote work (working from home more than half the time) declined after the peak of the pandemic (OECD, 2024[17]). In 2022, approximately 30% of city and capital-city region workers (occasional and regular) worked from home (OECD, 2024[17]). As office workers and commuters have reduced their presence in urban cores, retail businesses dependent on their demand have been struggling, leading to rising vacancy rates. While the overall retail vacancy level in European shopping centres stands around 6%, recovering below the pre-pandemic rate of 7% after rising up to 10% in 2021 (CBRE, 2025[18]), major global cities paint a different picture. Between 2019 and 2022, retail vacancy rates in London (UK), Paris (France), Shanghai (China), New York (US) and Houston (US), increased by 3.3%, a trend expected to continue given persistently low demand for office space (McKinsey & Company, 2023[19]). However, estimates from the United Kingdom in 2021 indicated that teleworking actually relocated spending on locally consumed services, including retail. This apparent contradiction can be explained by the fact that while central business districts saw declines in foot traffic and in-person purchases due to fewer office workers, residential areas experienced an uptick in demand. In other words, teleworking shifted consumer activity from office districts towards residential neighbourhoods, thereby redistributing – rather than eliminating – retail spending. For instance, a prospective study found that spending in the City of London was projected to decline by 32.5% post-pandemic whereas, in the meantime, several residential neighbourhoods in Greater London were expected to see spending rise by over 50% (De Fraja et al., 2021[20]).

Hybrid work models have further influenced shopping behaviour, as consumers take advantage of flexible hours to visit stores during weekdays, reducing weekend congestion (Larson, 2024[21]). Consumers have shown a growing preference for supporting locally owned businesses, contributing to an increase in localised spending – that is, spending within one's immediate community or neighbourhood. At the same time, with many consumers balancing online convenience with a renewed interest in in-person retail experiences (Verdon, 2022[22]). Additionally, coworking spaces, the use of which had been steadily

rising in city centres before the pandemic, have further evolved as a form of shared telework infrastructure, supporting local retail and service economies (Gandini, 2024[23]). In France, the number of coworking spaces grew from 120 in 2013 to 600 in 2017 (ANCT, 2018[24]). In Italy, the presence of these spaces has facilitated the renewal of commercial areas, bars and cafés (Manzini Ceinar and Mariotti, 2021[25]). These shifts have created opportunities for retail SMEs to align their offerings with changing consumer habits. By broadening product selection to better reflect the needs and preferences of local customers – who are now more likely to shop closer to home – retailers can leverage localised neighbourhood spending. Additionally, tailoring promotions to attract customers during traditionally slower periods allows businesses to maximise sales within these more localised markets (Larson, 2024[21]).

Greening retail SMEs: A pathway to sustainability and competitiveness in cities

Greening local commerce: Challenges and opportunities for retail SMEs

The green transition is reshaping the retail landscape, driven by consumer demand for sustainable products, regulatory requirements for lower carbon emissions and the need for greater resource efficiency in the face of high energy prices. First, the green transition presents both financial and operational challenges. Many retail SMEs lack technical expertise and upfront capital to meet environmental regulations. For instance, the difficulty can be major for substantial energy retrofits, especially in leased premises where property owners capture most of the long-term savings yet have limited incentive to finance the upgrades. However, retail SMEs, particularly those in city centres, can play a crucial role in advancing sustainability through waste reduction, eco-friendly logistics, and energy-efficient operations. For local retailers, the green transition translates into sustainable practices such as reducing packaging through bulk sales, optimising supply chain logistics and adopting low-emission delivery solutions. Beyond their environmental benefits, these measures enhance economic efficiency by lowering operational costs and improving financial sustainability. Retailers also need to be at the forefront of innovation, pioneering new business models that align with shifting consumer expectations and environmental imperatives. This includes diversifying service offerings, repurposing waste into new value chains, and embedding circular economy principles.

Retail shopping in city centres is, in many contexts, more climate friendly. While suburban and peripheral shopping centres can be useful for accessing goods and services not always available in city centres, their reliance on car access contribute to high travel-related emissions. In Ireland, for example, a modelling study estimates that the combined hypothetical monthly emissions generated by private vehicles to reach retail centres represent approximately 9% of the total monthly CO_2 emissions recorded for the transport sector in 2016, 2019, and 2020 (O'Driscoll et al., 2022[26]). The development of these peripheral retail centres has been shaped by urban sprawl and polycentric urban development with the generalisation of car use in the mid-20th century, which has brought negative environmental externalities. Supporting city centre retail – alongside greener infrastructure and mobility options – is therefore key to sustainable urban development (Holz-Rau and Scheiner, 2019[27]).

More indirectly, the ecological transition poses challenges for urban retail SMEs through their logistics practices, as small retailers increasingly need to scale up their parcel delivery operations to remain competitive with e-commerce platforms. Globally, freight transport contributes to 8% of global greenhouse gas (GHG) emissions, rising to 11% when warehouses and ports are included (International Transport Forum, 2024[28]). Road freight remains the dominant source of these emissions, and congestion exacerbates the environmental footprint of last-metre deliveries. The lack of efficient urban logistics solutions can lead to an over-reliance on high-emission vehicles, thereby increasing air pollution and urban congestion. U**rban logistics hubs** (ULHs) can serve as a pivotal solution as the demand for efficient, sustainable, and cost-effective last-metre deliveries intensifies. ULHs are key facilities placed in city areas that help organise and manage the movement of goods, including the return of products and waste collection (known as reverse logistics). In ULHs, goods are grouped, sorted and sent out for delivery

in a way that aims to make the process more efficient, e.g. by using fewer vehicles or switching to greener transport options, such as **electric vans, cargo bikes, and pedestrian couriers**. Notably, a study on the parcel delivery company Chronopost in France demonstrates the emissions-reducing potential of urban hubs, with an inner-city facility halving CO_2 emissions compared to a suburban alternative (74 tonnes CO_2/year versus 151 tonnes CO_2/year), due to fewer vehicle-kilometres[1] travelled (International Transport Forum, 2024[28]). Despite associated benefits, related to lower greenhouse gas emissions and traffic congestion, the deployment of urban logistics hubs faces significant challenges, including competition for urban space, regulatory fragmentation and last-metre delivery inefficiencies (International Transport Forum, 2024[28]). Integrating logistics planning into broader transport and land-use strategies is essential to overcoming these challenges while ensuring alignment with environmental and mobility goals.

The green transition demands a collective and coordinated approach between the public and private sectors, with local retail positioned as a key agent of economic, environmental and social sustainability. As cities evolve, policymakers need to acknowledge and support the transformative potential of local commerce in building more resilient, inclusive and sustainable urban environments. They can support retail SMEs by promoting sustainable urban logistics and circular economy practices and integrating sustainability considerations into urban planning frameworks. Strengthening local retail ecosystems through sustainable business models not only enhances economic resilience but also contributes to the broader objectives of climate adaptation and urban sustainability (see section Greening retail SMEs through urban policies and infrastructure investments).

Growing interest in green consumerism and proximity economy

The trend of green consumerism, while showing signs of recent slowdown, presents significant opportunities for retail SMEs to meet the growing demand for sustainable, eco-friendly products (see Box 4.1**)**. For example, consumers are favouring organic food and environmentally responsible products, which minimise waste and chemical use. The 2025 **European Commission's Consumer Conditions Scoreboard** highlighted that in 2024 43% of European consumers considered environmental concerns in their purchasing decisions and more than a third of them (35%) chose to repair a broken product rather than replacing it (European Commission, 2025[29]). While inflationary pressures are persisting in many economies (OECD, 2025[30]), global consumer sentiment towards sustainability remains strong. A **survey covering 31 countries (including 14 OECD countries and 10 EU countries)** found that consumers are, on average, willing to **pay a premium of 9.7% for sustainably produced or responsibly sourced goods** (PwC, 2024[31]). This willingness is likely driven by growing environmental awareness, with **85% of respondents reporting that they have personally experienced the disruptive effects of climate change in their daily lives**. These trends underline both the rising green consumer preferences and the economic potential for retail SMEs that integrate sustainability into their business models. However, retailers must navigate the challenge of balancing affordability with sustainability, as higher costs associated with eco-friendly products and packaging can deter the most price-sensitive customers. Moreover, shifting towards circular business models – such as resale, rental and refurbishment – requires operational adjustments that may not yield immediate profitability and needs, for both public and private sectors, a vision on the long term. The challenge lies in aligning consumer preferences with commercially viable sustainability initiatives – making the circular economy both accessible and affordable, while enhancing its competitiveness. This could involve, for example, pricing negative environmental externalities such as the use of single-use products (OECD, 2024[32]; OECD, 2025[33]).

Box 4.1. Transformative shifts in retail: Aligning with sustainability and circular economy goals

The retail sector is undergoing a profound transformation driven by regulatory pressures, shifting consumer expectations, and the imperative to reduce environmental impact. Several major trends are shaping this transition, requiring businesses to adopt new operational models that align with sustainability principles, among which:

- **Expansion of zero-plastic and sustainable packaging initiatives**: Retailers are increasingly moving towards reusable, compostable, or recyclable packaging to comply with stricter regulations on plastic waste. Bulk sales, deposit-return schemes, and eco-designed packaging solutions are gaining traction.
- **Growth in second-hand retail and repair services**: The circular economy is reshaping consumer habits, with rising demand for refurbished electronics, pre-owned fashion, and repairable household goods. Retailers are integrating second-hand sales into their business models to extend product lifecycles.
- **Development of durable and eco-designed products**: Sustainability is influencing product design, with a shift towards materials that enhance durability, recyclability, and energy efficiency. Retailers are focusing on reducing obsolescence and improving product reparability.
- **Localisation of supply chains and responsible sourcing**: Retailers are increasingly prioritising short supply chains, favouring locally sourced materials and food products to reduce carbon footprints and enhance supply chain resilience.
- **Emergence of sustainable logistics and last-metre delivery solutions**: As urban areas impose low-emission zones, retailers are optimising their supply chains with electric vehicle fleets, cargo bikes, and consolidated delivery hubs. The goal is to reduce transport-related emissions while maintaining efficient customer service.
- **Development of eco-friendly retail spaces**: Sustainable retail construction and refurbishment practices are gaining momentum, with an emphasis on energy-efficient buildings, green rooftops, and carbon-neutral stores. Retailers are also investing in smart lighting and Heating, ventilation, and air conditioning (HVAC) systems to lower energy consumption.
- **Waste reduction and circular economy integration**: New business models, including rental services and product take-back schemes, are emerging to tackle waste. Supermarkets are testing zero-waste aisles, and fashion retailers are implementing textile recycling initiatives.

Source: Ministère du Travail, (Ministère du Travail, 2021[34]) *Le commerce au défi de la transition écologique: Impacts sur les métiers et les compétences*, www.lopcommerce.com/media/ny4d0at2/etude-transition-%C3%A9cologique.pdf.

Ongoing shifts in consumer profiles and preferences also include increased interest in the proximity economy from the aftermath of the COVID-19 pandemic (European Commission, 2024[35]). The proximity economy comprises "local and short value chains, local production and consumption, human-centric city models and social economy business models" (European Commission, n.d.[36]). Despite supply chain disruptions, inflation and rising energy costs – hitting retail SMEs and the self-employed hardest (OECD, 2020[14]) – the COVID-19 crisis ultimately strengthened consumer preferences for local and more resilient supply chains, representing an opportunity for retail SMEs to respond to this demand. On the one hand, to compensate for mobility restrictions and global supply chain disruptions in the short-term, place-based entrepreneurial activities became instrumental in sustaining the resilience of local areas and their communities (European Commission, 2024[35]). On the other hand, restricted mobility also led to a rediscovery of local shops, located in residential neighbourhoods (Dolega and Lord, 2020[37]; Kim et al., 2021[38]; de Leyris, Louvet and Munafò, 2022[39]). Consequently, appreciation for local production and

consumption models increased on the part of consumers, sparking renewed interest in short value chains and localised economic loops where production, distribution, and consumption occur within a defined geographical area. Growing interest in the proximity economy has also emerged from an urban development perspective. This shift is partly driven by the negative effects of urban sprawl and the so-called "mobility economy" – which developed alongside transportation innovations and the delocalisation of production to reduce costs, especially outside of urban centres. These trends have spurred a reframing of economic organisation models to prioritise quality of life, environmental protection and addressing socio-economic challenges (European Commission, 2024[35]).

The proximity economy focuses on a local, community-driven approach that includes three key aspects: geographic (physical location), relational (social networks and interactions) and cognitive (sharing and acquiring technological and process-related knowledge within the ecosystem) (Intelligent Cities Challenge, 2024[40]). Planning concepts such as the 15-minute city have been key to illustrate the importance of effective land use and mixed-use development to the proximity economy in urban environments. However, niche manufacturing and agri-food retail activities in peri-urban and rural areas also fall within the purview of shifting consumer preferences for conscious shopping, customised offers and local shops as a space of exchange with specialised professionals. Within this context, retail SMEs are uniquely positioned to fill market gaps and operate following environmentally and socially protective modes of production and distribution through community embeddedness (Coca-Stefaniak, Parker and Rees, 2010[41]; European Commission, 2024[35]).

Finally, in popular tourism destinations, striking a balance between capitalising on visitor spending while maintaining relevance to local consumers is a multi-faceted challenge. City centres have often re-converted functions to serve tourism. For instance, in Italy, retail activities dropped by more than 20% in the centres of 120 cities between 2012 and 2023, while the hospitality sector – directly related to tourism – has shown opposite trends and increased by 42% (Confcommercio, 2024[42]). Still in Italy, evidence shows that the number of retailers dropped the least where hospitality increased the most. In cities, like Amsterdam (the Netherlands), the in-person retail experience is highly valued by tourists, reducing commercial vacancy rates and sustaining foot traffic (Slikker, Bloemers and Pot, 2024[43]). However, the increasing concentration of visitors in city centres alters the incentive structures for local entrepreneurs. The prioritisation of tourist-oriented goods and services, such as souvenir shops and boutique stores, often leads to the homogenisation of retail options (I Amsterdam, 2023[44]). This trend has more generally been observed in cities experiencing overtourism, which results in fewer choices for locals and an increased dominance of chain stores, including the rising presence of international retail chains (Xue, Kerstetter and Buzinde, 2015[45]). Retail SMEs in other major tourist destinations, such as Lisbon (Portugal) also contend with the transformation of commercial spaces. The proliferation of food and beverage establishments at the expense of specialised and locally oriented retail has reduced shopping options for residents, particularly for disadvantaged populations with lower mobility and purchasing power (Guimarães, 2017[46]). This phenomenon, also observed in cities like New York (United States), Florence (Italy), and Seoul (Korea), often results in retail gentrification, where long-established businesses are replaced by those catering to tourists (e.g. souvenir shops, international franchises, cafes).

The negative impact of demographic change on retail dynamics

Beyond the twin transition, retail SMEs in cities are also impacted by global trends, especially demographic change which is altering shopping patterns and service needs. For instance, the European Union's population aged 65 or over is forecast to grow from 91 million people in 2019 to reach 130 million by 2050, representing almost a third of the total population (Eurostat, 2024[47]).

Demographic change impacts the size of local customer bases, as well as consumer needs and preferences, for example related to an ageing population. In some regions, depopulation and declining population density have led to a shrinking consumer base, making it harder for small businesses to

maintain economic viability (Paddison and Calderwood, 2007[48]; Slach et al., 2020[49]; Galster, 2017[50]). At the same time, some areas experiencing population growth still face retail store closures, reducing commercial density and pushing more consumers to shop outside their communities (i.e. in out-of-town shopping areas), further exacerbating retail decline. In rural France, for example, while the population grew by 1% between 2013 and 2019, the number of small enterprises fell by over 6%, resulting in an overall 5.1% decline in commercial density (Allain and Épaulard, 2023[51]). Moreover, the degradation of city centres – both in physical infrastructure and social vibrancy – often goes hand-in-hand with declining local public finances. Reduced fiscal capacity limits the ability of local governments to invest in infrastructure, public spaces, or targeted policies to support retailers and residents, creating a self-reinforcing cycle of decline.

In general, demographic decline is felt most sharply in rural areas and small and medium-sized cities. Small and medium-sized cities are particularly susceptible to retail decline, as seen in countries such as Belgium (Delage et al., 2020[1]). In OECD countries, smaller cities (those with fewer than 250 000 inhabitants) account for much of the demographic decline, with regions far from a metropolitan area expected to shrink by 2.3% between 2020 and 2040 (OECD, 2019[52]; OECD, 2023[53]). Additionally, 22% of metropolitan areas across the OECD lost population between 2009 and 2020 (Burgalassi and Matsumoto, 2024[54]). On average, metropolitan areas that experienced population decline between 2008 and 2018 also saw a 4% increase in the share of older adults (Burgalassi and Matsumoto, 2024[54]). While a shrinking population presents the challenge of fewer potential customers since retail SMEs are often localised in place, population ageing patterns can represent an opportunity for growth (Coca-Stefaniak, Parker and Rees, 2010[41]). Though older cohorts tend to spend less on transport, durable goods and clothing than younger ones in favour of health and housing, they are also generally more affluent and spend a higher share of their income (Bodnár and Nerlich, 2022[55]). Retail SMEs can leverage these differences by adapting sales channels, adjusting marketing, and revising product ranges to adapt to shifting demand between groups of goods and consumption expectations such as customer service and advice (Schwartz and Leifels, 2016[56]; Moschis, 2021[57]).

Empowering retail SMEs: Harnessing green and digital transitions in cities

Introduction

As cities navigate profound transformations driven by the green and digital transitions, retail SMEs must adapt to stay competitive, resilient, and relevant. Retail SMEs are the backbone of city centres, supporting vibrant and economically sustainable communities. Retailers are key anchors of the local economic ecosystem, generating daily activity, supporting nearby services and shaping the attractiveness of the area for other businesses and the local workforce – especially in small urban areas. The twin transition is not only reshaping consumer behaviour and operational models but also redefining the very role of retail SMEs within urban systems.

Retail SMEs are well positioned to lead in both transitions, but doing so requires targeted policies. This chapter examines how national and local governments can support and empower local retailers, particularly retail SMEs, in navigating two key transitions. First, it addresses the digital transformation, highlighting the importance of enhancing customer engagement, improving in-store operations and investing in digital infrastructure and skills. Second, it explores strategies to support the green transition, including the promotion of sustainable business practices and the reorganisation of urban logistics to reduce environmental impact. It showcases policy approaches and local innovations that align retail development with climate goals and technological change.

The OECD Principles on Urban Policy can play a key role in guiding support for retail SMEs through the twin transition by fostering inclusive and sustainable local economies (OECD, 2019[58]). By encouraging policymakers to maximise the potential of cities of all sizes, the principles ensure that retail SMEs in both large and smaller urban areas are equipped to benefit from green and digital innovations. Efforts to advance environmental quality – such as promoting low-carbon logistics or energy-efficient stores – can align retail development with climate goals.

Supporting retail SMEs in the digital shift

Improving customer engagement and store operations for retail SMEs in cities

To help retail SMEs in city centres face the challenges and leverage the opportunities brought by the digital transition, policymakers could implement policies for small retailers to adopt new technologies to improve customer engagement. Policymakers at national and local levels need to facilitate the digital integration of retail SMEs by providing targeted financial support, including grants and subsidies, to enable retail businesses to invest in essential digital tools. This public funding could focus on digital payment systems and social media marketing, equipping small retailers with the necessary resources to enhance customer engagement. For instance, the City of Cork in Ireland offers grants to small retailers to support the adoption of new technologies and digital tools, such as digital marketing strategies, recognising that many small shop owners lack the financial resources to invest in these solutions independently (see Box 4.2).

Policies can help small retailers embrace digital transformation to broaden their customer base and improve the efficiency of their operations by blending the strengths of physical retail with the opportunities of e-commerce. Municipalities can enhance the visibility of their city and its local businesses by investing in centralised digital platforms that showcase local amenities and city centre retailers, promote events, and integrate online shopping options – including click-and-collect services or local delivery. Local policymakers can also offer targeted grants or vouchers for digital capacity-building, enabling small shop owners to access services such as website development, social media marketing, e-commerce integration and customer data management systems. For example, the City of Braga in Portugal has adopted a phased approach to digitalising local commerce. It began by improving the city's digital image and creating online promotional channels for city centre businesses. This was followed by support for delivery services and local logistics infrastructure, helping retailers reach customers beyond their traditional in-person visitors and compete more effectively with e-commerce platforms (see Box 4.2).

Box 4.2. Harnessing digital innovation for retail SMEs: Insights from Braga (Portugal) and Cork (Ireland)

Cork's digital transition: Tailored support for retail SMEs

Cork, Ireland's second-largest city has a historic city centre that serves as a cultural and economic hub for the region. Facing challenges from competition with larger retail chains and the rise of e-commerce, the city has prioritised supporting small retailers with their digital and green transitions through expert consultants and tailored grant funding. Launched in 2022, the Digital for Business scheme provides expert consultancy to help businesses analyse and enhance their digital systems, aiming to improve efficiency and competitiveness. Funding of up to EUR 5 000 is provided for businesses for tools such as specialist software or digital marketing strategies. Running from 2015-2024, the Trading Online Voucher Scheme offered financial assistance to small businesses for them to develop or enhance their trading capabilities, through a grant of up to EUR 2 500 with a 50% of eligible costs covered. The grant

could be used to support activities including website development, e-commerce platform integration and online advertising (see case study on Cork, Ireland – Supporting retail SMEs green and digital transition through expert advice and tailored grant funding).

Braga Smart Retail: A comprehensive approach to digitalising local commerce

Under the Portuguese Recovery and Resilience Plan, funded by the European Union, the City of Braga has launched the "Braga Smart Retail" initiative, allocating over EUR 1.5 million to advancing the digitalisation of more than 900 local retail businesses. Originally conceived during the COVID-19 pandemic to support food delivery services, the programme has since evolved in response to challenges identified by retailer associations, including intensifying competition from e-commerce platforms, shifts in consumer behaviour due to the pandemic, and the growing presence of multinational brands. This initiative aims to enhance the digital capacity of small and medium-sized enterprises in the retail sector, foster a holistic promotion of commerce, tourism, and services, and equip entrepreneurs and their workforce with the skills needed for a successful digital transition. By upgrading its existing Wi-Fi infrastructure, rather than investing in new networks, the city ensures cost-efficient and widespread connectivity for businesses and shoppers. Digital tools, including the Visit Braga website, a mobile app, and an online marketplace, aim to attract visitors and boost local commerce. To further enrich the shopping experience, Braga has introduced the Braga Smartguide, an interactive app linked to Google Maps, alongside in-store augmented reality solutions. Urban logistics are also being modernised through delivery lockers and bike delivery initiatives, supporting click-and-collect services while promoting sustainable logistics. Additionally, a centralised data platform aggregates insights from street sensors and mobile networks, providing local businesses with dashboards to optimise marketing strategies and tailor services to customer demographics (see case study on Braga, Portugal – Digital neighbourhoods redesign how retail SMEs work in the city).

Source: Local Enterprise Office (n.d.[59]), *Local Enterprise Office Cork City*, https://www.localenterprise.ie/corkcity/; City of Braga (2023[60]), *Smart and trendy city – Sustainability report*, https://www.cm-braga.pt/archive/doc/RelatorioSustentabilidade_2023_EN.pdf.

Improving cities' digital infrastructure and skills to foster connectivity among small retailers

Ensuring retail SMEs in cities fully benefit from the digital transition requires high-quality digital infrastructure. Access to reliable, high-speed internet and advanced connectivity, such as 5G networks, is essential for small businesses to leverage digital tools and adopt e-commerce solutions. However, gaps in broadband coverage and limited public investment in digital infrastructure often create significant barriers, particularly in smaller commercial districts. For instance, across OECD countries, large functional urban areas (FUAs) with populations over 1.5 million have broadband download speeds that are on average 14% faster than the national average. In contrast, smaller FUAs tend to lag behind: those with fewer than 250 000 inhabitants have speeds that are 3.7% slower than the national average, and this gap widens to 4.8% for FUAs with fewer than 100 000 inhabitants (OECD, 2024[17]). National and local governments could expand high-speed broadband and 5G coverage in urban centres, by permitting the use of public infrastructure for antenna or fibre deployment, or by co-financing broadband expansion in less profitable or underserved urban areas, while supporting smart city initiatives that enhance digital connectivity (e.g., free public Wi-Fi and device charging). For instance, in Braga (Portugal), the city chose to upgrade its existing Wi-Fi network to improve connectivity for small retailers (see case study on Braga, Portugal – Digital neighbourhoods redesign how retail SMEs work in the city).

The lack of digital skills remains a critical challenge for retail SMEs seeking to adopt and effectively use new technologies (see Chapter 2, Addressing labour and skills shortages in Europe's retail sector). Many small businesses lack expertise in digital marketing, e-commerce logistics, cybersecurity and data analytics, preventing them from capitalising on online sales channels and customer engagement tools.

Workforce upskilling is critical to enable employees to use these technologies effectively and maximise their potential. For example, social media platforms and websites can help SMEs attract younger customer segments or expand sales beyond domestic markets. The age of business owners can sometimes act as a barrier to the adoption of these technologies, as observed in Bilbao (Spain) where the average age of retailers exceeds 50 years according to the local government.

To address this gap, local governments can implement targeted digital upskilling programmes. Training initiatives provided by local authorities could focus on equipping retail SMEs owners and employees with the skills needed to integrate digital solutions into their operations, while financial support schemes, such as subsidies for digital training or advisory services, can encourage broader participation. For instance, with the support from the City of Koper (Slovenia), the local "Sežana Incubator" provides education programmes for entrepreneurs looking to learn how to find customers, use digital marketing and develop new product. In Poitiers (France), workshops funded and organised by the city aim at training local retail shop owners to encourage the adoption of digital tools, while in Canada, the Digital Service Squad provides one-on-one advisory programmes to help retailers adopt digital technologies (see Box 4.3).

Box 4.3. Strengthening digital capacities for retail SMEs in France and Canada

Empowering retailers through local digital training in Poitiers (France)

In Poitiers (France), post-COVID efforts focused on equipping retailers with essential digital skills through modular training sessions in collaboration with industry professionals. These workshops covered customer relationship management (CRM), website development, and social media strategies, while the city facilitated connections between retailers and trusted local experts for tailored digital support. Recognising the surge in demand for online sales platforms, Poitiers opted for training and information sessions in partnership with a local associative organisation specialised in digital tools to enhance business autonomy. The pandemic served as a catalyst to encourage digital adoption, particularly in leveraging social media for visibility rather than solely relying on e-commerce subscriptions without a strong customer base (see case study on Poitiers, France).

Scaling SME digital transformation with public support in Canada

In Canada, the Digital Main Street (DMS) initiative has played a crucial role in supporting brick-and-mortar SMEs through financial grants and personalised digital transformation assistance. Funded through a combined investment of CAD 74.1 million from provincial and federal governments between 2017 and 2024, the programme offered Digital Transformation Grants of CAD 2 500 to over 16 750 SMEs, primarily for digital marketing, website development, and technology investments (Ontario Business Improvement Area Association, 2024[61]). Additionally, the Digital Service Squad (DSS) programme provided one-on-one consulting by employing students and recent graduates with digital expertise to assist business owners in adopting new technologies (Ontario Business Improvement Area Association, n.d.[62]). Together, these initiatives have strengthened the digital capabilities of small businesses, enhancing their ability to compete in an increasingly digital marketplace.

Source: City of Poitiers (France) and Digital Main Street (n.d.[63]), https://digitalmainstreet.ca/fr/.

Greening retail SMEs through urban policies and infrastructure investments

The transition towards sustainability is reshaping the retail sector, with SMEs playing a crucial role in driving environmentally responsible business practices. This is particularly true in cities, which consume 70% of the world's food production, account for approximately 75% of global energy consumption

and generate 70% of greenhouse gas emissions – shares that are set to rise (OECD, 2025[33]). Amid high energy costs, growing regulatory pressures, shifting consumer demand, and the need to reduce environmental impact, retail SMEs are adapting their operations to align with sustainability and circular economy goals. Moreover, retail SMEs can leverage the green transition by adopting sustainable sourcing, optimising energy efficiency, reducing waste through circular business models, and capitalising on consumer demand for eco-friendly products to increase revenues and reduce energy-related costs. These recommendations are consistent with Principle 5 ("Advancing environmental quality") of the OECD Principles on Urban Policy, which urges cities to use resources more efficiently, foster sustainable consumption and production patterns.

Supporting energy-efficient and sustainable retail spaces in city centres

In the European Union, the main driver of inflation in the past years has been the escalating cost of energy, exacerbated by a combination of post-pandemic economic recovery, extreme weather conditions and geopolitical disruptions. The sharp increase in energy prices for non-household medium-sized consumers (private companies and public entities) – around 50% in 2024 compared to pre-2021 levels[2] – was fuelled by Russia's suspension of gas supply to several EU Member States and climate-induced supply constraints. This surge in energy costs has disproportionately impacted energy-intensive industries, compounding input cost pressures across multiple sectors. Inflation has affected the green transition in two opposite ways. Rising costs have discouraged long-term investments in resource efficiency while soaring energy prices have pushed SMEs to adopt short-term energy-saving measures. In 2022, according to the Eurobarometer data, the probability of surveyed SMEs in the EU investing in energy efficiency increased from 53% to 58% compared to the previous year (European Commission, 2023[64]).

The retail sector faces significant challenges in reducing its carbon footprint, particularly related to buildings' emissions. Many retail establishments operate in ageing infrastructure with inefficient heating, cooling, and lighting systems, necessitating substantial capital investment for retrofitting as the building sector is a key contributor to greenhouse gas (GHG) emissions in the EU, representing 34% of energy-related emissions in 2022 (European Environment Agency, 2024[65]). Small and medium-sized retailers, in particular, struggle to finance these upgrades, risking non-compliance with future regulations (OECD, 2022[66]). While large retailers can leverage economies of scale to adopt green technologies and comply with evolving regulations, retail SMEs face disproportionate challenges due to resource limitations. Access to green financing mechanisms remains inadequate, with many businesses struggling to meet eligibility criteria for sustainable investment funds.

To support the green transition of small and medium-sized retailers in the context of high energy costs, national and local governments could develop integrated policy packages that combine short-term relief with long-term investment support. Targeted financial assistance – such as grants, subsidies or tax incentives – can help mitigate the immediate impact of energy price inflation on SMEs, particularly in energy-intensive sectors. National governments could also scale up support for building retrofits in the retail sector, recognising the constraints faced by SMEs operating in ageing, energy-inefficient infrastructure. This includes dedicated funding streams for small retailers to adopt low-carbon technologies such as heat pumps, energy-efficient lighting, and smart energy management systems, as exemplified by the Cork City Council's Energy Efficiency Grant in Ireland (see Box 4.4). Finally, advisory and diagnostic services could be expanded to ensure that SMEs have access not only to finance, but also to the knowledge and technical assistance needed to identify viable investments and navigate regulatory requirements. In France, one of the programmes implemented under France's National Recovery and Resilience Plan, financed through a combination of EU loans and grants in response to the COVID-19 crisis, provides a model for conducting sustainability assessments of SMEs, to provide them with tailored action plans (see Box 4.4). Finally, eligibility criteria for green financing could be simplified and aligned with SME capacities, enabling a wider range of businesses to access the capital needed for energy transition investments.

Box 4.4. Local and national levers to support the green transition of retail SMEs

Empowering retail SMEs in Cork (Ireland) to achieve energy efficiency and sustainability

Cork City Council (Ireland), in partnership with its Local Enterprise Office (LEO), has implemented targeted measures to support retail SMEs in adopting energy-efficient technologies and reducing their environmental impact. A key initiative is the Energy Efficiency Grant, launched in 2021, which provides financial assistance to small businesses with fewer than 50 employees. Initially offering up to EUR 5 000, with businesses required to cover 50% of costs, the grant was expanded in 2024 to a maximum of EUR 10 000, while reducing the business contribution to 25%. The scheme facilitates investments in smart energy controls, renewable energy adoption, and other efficiency upgrades, helping businesses lower operational costs while aligning with national sustainability goals. By reducing financial barriers to green investments, Cork's approach aims to strengthen the resilience and competitiveness of local retailers in an evolving market landscape (see case study on Cork, Ireland – Supporting retail SMEs green and digital transition through expert advice and tailored grant funding).

Supporting the green transition of small businesses through France's National Recovery and Resilience Plan

As part of France's National Recovery and Resilience Plan, the French government has introduced a EUR 15 million initiative to accelerate the ecological transition of artisans, independent retailers, and small businesses. Spearheaded by the Ministry of Ecological Transition and the Ministry for Small and Medium-Sized Enterprises, in partnership with key institutional actors – including the Ecological Transition Agency, the Chambers of Trades and Crafts, and the Chambers of Commerce and Industry – this programme aims to integrate sustainability more deeply into the business ecosystem. Aligning with France Relance's overarching goals of resilience, competitiveness, and environmental responsibility, the initiative offers businesses free individual sustainability assessments. Conducted by expert advisors from the Chambers of Commerce and Industry (CCI) and the Chambers of Trades and Crafts (CMA), these assessments determine a company's environmental maturity and provide tailored action plans for sustainable transformation. Businesses requiring further support can access targeted assistance for securing green financing, improving resource and energy efficiency, and obtaining environmental certifications. With 35 000 diagnostics and 10 000 customised support actions planned, this initiative marks a significant step towards embedding sustainability at the core of France's small business sector.

Source: Local Enterprise Office (n.d.[59]), *Local Enterprise Office Cork City*, https://www.localenterprise.ie/corkcity/ and Aides Territoires (n.d.[67]), *Accélérer la transition écologique des artisans, commerçants et indépendants*, https://aides-territoires.beta.gouv.fr/aides/6f3a-accelerer-la-transition-ecologique-des-artisa/.

Facilitating the adoption of sustainable practices and circular business models by retail SMEs in cities

The circular economy presents significant opportunities for retail innovation. Small retailers in cities that proactively integrate sustainability into their business models can gain a competitive edge in an evolving market landscape. For example, resource efficiency and circular economy policies in the EU are projected to generate the largest employment gains in sectors such as retail, highlighting the significant job creation potential within this industry. Furthermore, by 2025, second-hand sales are expected to represent 12.6% of total online sales in Europe – more than double their market share of 5.7% in 2020. This shift underscores the need for retailers to embrace both the digital transformation and circular business models (OECD, 2025[33]). As consumer preferences shift towards environmentally responsible

consumption, businesses that embed sustainability across their operations – ranging from product sourcing to waste reduction – can enhance brand loyalty and market differentiation. Business models centred on product refurbishment, resale, and leasing can generate new revenue streams while reducing waste and resource consumption (OECD, 2024[32]). Retailers that establish reverse logistics systems and repair services can capitalise on the growing market for sustainable consumption. However, mainstreaming circular models requires supportive regulatory frameworks, consumer awareness initiatives and cross-sector collaboration. By positioning sustainability as a core business strategy, retailers can future-proof their operations against regulatory and market shifts.

To facilitate the adoption of circular business models in the retail sector, national and local policymakers can combine regulatory, financial and demand-side measures. National and local regulations could encourage – or require in specific cases – retailers to integrate second-hand sales, offer repair and refurbishment services, and adopt sustainable product design practices – while being cautious not cause excessive costs for the retailers or limit flexibility too much. Public procurement can be used strategically by including circularity criteria – such as prioritising products with recycled or reused components – and by allocating a share of purchases to second-hand or refurbished goods sourced from local retailers. Financial incentives such as grants, tax credits or preferential loans can support investments in circular infrastructure (e.g. repair hubs), while fiscal measures like reduced VAT rates on repairs or refurbished items can stimulate demand. Governments can also promote waste reduction through support for deposit-return schemes, product take-back initiatives and zero-waste or reusable packaging solutions – by offering financial incentives and practical advice for these measures to be implemented.

Supporting low-emission logistics for retail SMEs in city centres

Logistics is a key issue for retail SMEs in cities for several reasons. Firstly, it supplies city centre shops and is therefore an integral part of their daily operations – contributing directly to their carbon footprint (see section Greening retail SMEs: A pathway to sustainability and competitiveness in cities). Secondly, to remain competitive with online platforms, city centre retailers must also develop their own delivery services to reach a wider customer base. National and local governments can support these businesses in achieving both objectives: reducing their greenhouse gas emissions while increasing the volume and efficiency of their deliveries.

Local policymakers could incentivise the development of logistics hubs through dedicated infrastructures and urban logistics zones to help secure appropriate locations. Given that last-metre delivery can represent up to 50% of overall logistics costs, policymakers could prioritise solutions that enhance efficiency while reducing externalities. Investing in adaptable, multi-functional logistics hubs – combining warehousing, commercial spaces, and essential urban services – will be key to ensuring a sustainable and resilient urban freight ecosystem (International Transport Forum, 2024[28]). To optimise last-metre delivery and minimise congestion, policymakers could rethink urban design and regulatory frameworks to accelerate the adoption of low-emission delivery solutions. This includes creating dedicated infrastructure for cargo bikes and electric vehicles, integrating urban logistics hubs within multimodal transport systems, and targeted incentives to encourage shared logistics models to maximise efficiency. For instance, the City of Braga (Portugal) is introducing new urban logistics solutions, including smart delivery lockers and bike delivery services, to facilitate click-and-collect services and reduce the environmental impact of urban freight transport. The City of Poitiers (France) is also currently trying to reduce delivery congestion and emissions by supporting the establishment of a cyclo-logistics hub in the city (see Box 4.5).

Box 4.5. Innovative urban logistics solutions for sustainable retail supply chains

Enhancing retail supply chains with green logistics in Braga (Portugal)

In Braga (Portugal), innovative logistics solutions are enhancing the efficiency of local retail supply chains while promoting environmentally friendly delivery methods. The city is deploying delivery lockers and expanding bike delivery services to support click-and-collect systems, reducing reliance on high-emission transport and integrating digital tools into urban logistics. These measures aim to streamline stock deliveries for local retailers while addressing both green and digital transitions (see case study on

Braga, Portugal – Digital neighbourhoods redesign how retail SMEs work in the city).

Developing cyclo-logistics for sustainable last-metre deliveries in Poitiers (France)

In Poitiers (France), the city is developing a cyclo-logistics hub to facilitate sustainable last-metre deliveries in the city centre. Inspired by the successful implementation of similar initiatives in La Rochelle (France), this approach prioritises cargo bike deliveries to reduce congestion and emissions. However, challenges remain in securing suitable locations for the hub and adapting to the city's hilly terrain, requiring tailored infrastructure solutions (see case study on Poitiers, France – Revitalising a historic city centre with a data-driven and sustainable approach to urban commerce).

Source: City of Braga (Portugal) and City of Poitiers (France).

Thriving city centres: Better urban planning policies to support retail SMEs

Introduction

As traditional retail districts face mounting challenges – including e-commerce competition, changing mobility patterns, and the lingering effects of the COVID-19 pandemic – city centres must adapt to remain commercially and socially vibrant. Improving city centres' accessibility to increase footfall and leveraging spatial and historical assets to promote attractiveness can reinforce the appeal of city centres by sustaining daily activity and shaping a lively sense of place, underpinning local well-being and the broader economic ecosystem.

Enhancing the appeal of city centres can mitigate the adverse effects of rising business costs, notably driven by high energy costs or competition from e-commerce. Given that e-commerce holds a competitive advantage over brick-and-mortar retailers – particularly in terms of convenience for consumers – urban policy can be strategically designed to strengthen the ability of retail SMEs to compete effectively. This necessitates leveraging their unique assets and fostering a sustainable environment where they can thrive. Specifically, by enhancing the urban environment in which retail SMEs operate, urban policies can leverage sustainable practices – such as active mobility, pedestrianisation, and the expansion of green spaces – to create more attractive, accessible, and resilient commercial areas. These interventions not only improve quality of life for residents and visitors but also help mitigate some of the negative externalities of the digital transition, such as reduced foot traffic and increased reliance on delivery logistics. Integrating environmental quality into urban retail strategies can thus support both the competitiveness and sustainability of local businesses. To reach these objectives, national and local governments can draw on the OECD City Compass (OECD, 2024[68]) as a strategic reference to support retail SMEs through the twin transition. Building on lessons from recent crises, the OECD City Compass

outlines four guiding principles for shaping the future of cities – resilience, proximity, sufficiency, and justice – which offer a valuable lens for urban retail policy. Applied to retail, they call for place-based approaches that enhance the sustainability, accessibility, and inclusiveness of city-centre commerce.

A conceptual framework on revitalising city centres has been developed by Matthew Carmona (2021[69]) **and** provides **insights into how cities can achieve this objective**:

- **Optimising convenience**: Consumers should find city centres easy to access and convenient for meeting their needs. This requires investments in public transport, parking infrastructure, and pedestrian-friendly designs. Retail clusters should offer a diverse range of options, ensuring consumers can access goods and services efficiently. In the post-pandemic era, embedding city centre retail SMEs within a broader "experience economy" appears vital for their long-term viability (Lashgari and Shahab, 2022[70]).
- **Cultivating uniqueness and character**: The distinctiveness of city centres is a critical competitive advantage for local retail SMEs compared to online retailers. One key advantage of traditional retail over e-commerce is its ability to foster social interactions and provide leisure opportunities, as simply strolling through an appealing commercial area can be a rewarding activity. Preserving cultural heritage, promoting local businesses, and fostering authenticity can also make city centres stand out as destinations.
- **Promoting mixed uses**: City centres should be multifunctional spaces that integrate retail, leisure, residential, and green areas. Mixed-use planning supports economic diversity and ensures city centres remain vibrant throughout the day and week.
- **Facilitating social interaction**: Public spaces should be inclusive and welcoming, fostering a sense of community. Events, street markets, and third spaces (e.g., libraries, cultural centres) can create opportunities for socialisation, positioning city centres as hubs of activity and connection.

Enhancing city centres' accessibility to increase footfall and retail consumption

Enhance walkability and facilitate access through public transport

Accessibility to shops is a key factor influencing consumer decisions to visit retail areas in urban settings. In Swedish cities, both intra-municipal and intra-regional access to shops (measured through travel time) are positively and significantly associated with place attractiveness (measured through higher housing investment as a proxy) (Öner, 2017[71]). In Brussels (Belgium), it has been found that only 17% of retail customers use a private motorised vehicle to visit shopping streets in the city, while 48% walk or cycle, and 43% use public transport (Hub.Brussels, 2024[72]). Over the past decades, many cities have undertaken retail-led urban regeneration projects, with a significant portion of public interventions focused on pedestrianising city centres and developing public transport infrastructure (Guimarães, 2016[73]). While city centre retailers often express concerns about urban planning measures that restrict access to their shops by private cars, a growing body of research shows that high walkability, strong public transport connectivity, and qualitative urban spaces have positive effects on retail space attractiveness (Ivey and Bereitschaft, 2021[74]; Rosenthal, Strange and Urrego, 2022[75]).

There is a premium associated with walkability, active mobility, and access to public transport in commercial real estate, reflected in higher retail rents, increased sales prices and enhanced overall retail performance (Ivey and Bereitschaft, 2021[74]; Rosenthal, Strange and Urrego, 2022[75]). For instance, compared to less walkable locations, office, retail and apartment properties in highly walkable areas throughout the United States present higher value – with a value difference ranging from 6% to 54% – as well as higher net operating incomes for office and retail properties (Pivo and Fisher, 2011[76]). In the United States and Canada, new or improved infrastructure for active modes of transport (e.g. bike lanes, pedestrian paths) had either positive or neutral economic impacts on retail and food services (Volker and

Handy, 2021[77]). In Aachen (Germany), retail locations near pedestrian zones, public transport stops, and off-street parking are more attractive, with corresponding increases in retail rents (Merten and Kuhnimhof, 2023[78]). In a sample of 14 Spanish cities, the median sales volume of stores located in pedestrian areas is 33% higher than in non-pedestrian areas (Yoshimura et al., 2022[79]).

However, despite these economic benefits, policies improving the accessibility of city centre for active mobility and public transport carry the risk of driving major changes in the retail landscape as well as retail gentrification, replacing businesses that cater to lower-income, older, or immigrant communities. For example, the pedestrianisation of one of the most famous boulevards of Brussels (Belgium), Boulevard Anspach – a formerly four-lane road for cars – has driven notable sectoral shifts, with a growing dominance of the HoReCa (Hotels, Restaurants and Cafés) sector and an increase in leisure-related retail, at the expense of local retailers. Meanwhile, the availability of daily-life and essential goods has evolved, with a rise in small food stores and a slight decline in larger ones. These trends indicate a shift toward recreational shopping and experience-driven consumption and a decline in accessibility and diversity of essential goods (Tiberghien, 2024[80]).

To further strengthen the attractiveness of city centres and retail SMEs, local policymakers could enhance walkability and facilitate access through public transport. Investments in pedestrian-friendly zones, high-quality public transport infrastructure, and active transport modes (e.g. bike lanes) can increase foot traffic and customer spending. Similarly, the development of free or low-cost public transport schemes, particularly on weekends and during peak retail hours, can also facilitate access to commercial areas. For instance, the pedestrianisation of the city centre of Poitiers (France) made the central retail shops accessible on foot, via cycling infrastructure, and through public transport, which have been made free of charge on Saturdays. Since the implementation of these measures in 2020, footfall in the city centre has shown a consistent upward trend, rising by more than 30% between 2021 and 2024.

Redesigning parking policies to enhance commercial vitality in city centres

While facilitating sustainable and active mobility, cities can also reconsider the role of cars in their city centres. The provision of parking remains essential in most urban areas, particularly in small and medium-sized cities where public transport infrastructure is not yet fully developed. However, parking facilities can be reimagined to avoid degrading the urban environment or generating excessive negative externalities. Some cities – such as Bilbao (Spain) (see Box 4.6) – have implemented innovative, data-driven solutions to regulate unnecessary vehicle flows and optimise traffic management. The expansion of park-and-ride systems, fully integrated with metro and bus networks, could be pursued to facilitate multimodal access to retail areas. The deployment of real-time parking information systems is also essential to reducing traffic congestion, improving visitor navigation and minimising unnecessary vehicle circulation in city centres. Moreover, in some cities, the removal of parking spaces has led to beneficial outcomes for retail SMEs regarding foot traffic and retail sales. In Toronto (Canada), replacing on-street parking with a bike lane has led to higher monthly customer spending and an increase in the number of customers (Arancibia et al., 2019[81]). Conversely, a high supply of on-street parking in the same city negatively impacted retail rents, potentially due to the associated congestion and reduced pedestrian appeal. On-street parking could therefore be re-evaluated to prioritise the development of off-street parking facilities, bike lanes, and public spaces, enhancing retail performance while advancing sustainability goals.

Box 4.6. In Spain, Bilbao's Strategic Commercial Development Plan has improved accessibility through multidimensional policies

To strengthen its city centre commerce, Bilbao (Spain) has implemented its *Strategic Commercial Development Plan 2025.* One of the central pillars of this strategy focuses on promoting sustainable mobility to support local businesses. By improving accessibility to the city centre through environmentally friendly and efficient transport options, the plan aims to attract greater foot traffic to commercial areas, fostering economic vitality while aligning with broader sustainability objectives. The progressive development of a network of park-and-ride facilities, strategically integrated with metro systems and other public transport networks, aims to discourage vehicle entry into central urban areas. These facilities are planned to be located along key access corridors to the city, providing a seamless transition from private vehicles to public transport. This approach aims to support sustainable urban mobility, reduce congestion in central areas, and enhance the efficiency and attractiveness of public transport options for commuters. As a measure to further minimise disruptive traffic caused by visitors within the urban core, the development of an integrated parking information system is also proposed in the strategic plan. This system aims to provide real-time updates on available parking spaces, guiding drivers efficiently to suitable locations. By streamlining the parking process, this initiative will reduce search times, facilitate visitor access, and significantly lower unnecessary vehicular circulation within the city centre (see case study on Bilbao, Spain).

Source: Bilbao Economic Promotion Department (2025[82]), *Bilbao Retail Strategy 2025*, https://www.bilbaoekintza.eus/en/retail/retail-analysis-and-strategy-service.

Leveraging city centres' spatial and historical assets to promote attractiveness and resilience

Multidimensional urban regeneration and mixed-use planning can limit retail vacancy and revitalise city centres

Urban regeneration can support the retail sector and enhance its competitiveness in the face of increased competition in e-commerce or changing consumer preferences, by revitalising economic activity, enhancing public spaces quality, and improving commercial viability. Large-scale retail developments in city centres, such as the **Bullring shopping complex in Birmingham** and **West Quay in Southampton in the United Kingdom**, have demonstrated how retail investment can **increase foot traffic, boost local economies, and elevate a city's status as a shopping destination**. In Korea, retail-led urban regeneration has shown that integrating traditional markets with cultural and tourism strategies significantly enhances their viability. Successful projects, such as traditional Jeju Olle Market in Seoul (Korea), leveraged nearby attractions and developed self-sustaining business models, reducing reliance on government funding. The revival of the Kusatsu River in Kusatsu City (Japan) serves as a strong example of how cities can leverage urban space to create a more welcoming and attractive environment for residents. The river, abandoned in 2002 and located near a major train station, has since been redeveloped into a high-quality park with shops and gardens (OECD, 2025[83]). Rather than relying solely on modernisation, effective regeneration policies could support infrastructure improvements, marketing strategies, and merchant training to ensure lasting economic resilience (Kim and Jang, 2017[84]).

Mixed-use urban planning[3] is essential for revitalising city centres, with empirical studies demonstrating the positive impacts on health, social cohesion, economic vitality and environmental sustainability. Evidence from five UK cities (Edinburgh, Glasgow, Hull, Liverpool, and

Nottingham) demonstrates that greater property use diversity – residential, commercial, transport, public services, etc. – enhances resilience, allowing retail urban centres to absorb economic shocks more effectively (Orr et al., 2023[85]). The programme Action Cœur de Ville in France (see case study on France – Action Cœur de Ville) co-ordinates investments from national and local authorities as well as public agencies in fostering sustainable urban regeneration. Investments in high-quality public infrastructure – such as pedestrian-friendly areas, outdoor seating, green spaces, and event venues – help to create vibrant and accessible city centres that attract footfall and support the retail sector (see Box 4.7). Pleasant, mixed, and lively city centres strengthen local economies by creating appealing environments that encourage residents and visitors to spend more time – and money – in urban retail areas. Following the Action Coeur de Ville example, policymakers could therefore implement comprehensive urban renewal strategies that integrate retail, housing, and public space improvements to revitalise city centres. Upgrading zoning plans to promote mixed-use areas rather than single-use zones and enhancing co-ordination across policies, ministries, and agencies, can support a more horizontal and integrated approach to city centre regeneration.

Cities can also address the issue of retail vacancies as vacant commercial spaces not only result in economic and commercial losses but also negatively impact the city's image. In France, about 60% of citizens declaring lack of interest in visiting city centres say the main reason is due to poor attractiveness and vitality, including store closures in city centres (Centre-ville en mouvement, 2024[86]). In this context, implementing public policies aimed at revitalising these spaces is crucial. National and local governments could consider adopting integrated spatial and regulatory planning instruments to revitalise retail activity in medium-sized city centres while limiting administrative burdens for SMEs. This can include the designation of revitalisation perimeters where streamlined procedures and targeted exemptions apply, such as waiving commercial development authorisations for new retail in city centres, as experimented by France through its Action Coeur de Ville programme (see Box 4.7). Additionally, establishing public or semi-public real estate entities can help municipalities acquire, renovate, and lease commercial premises at affordable rates to support local entrepreneurs and strengthen the retail fabric of city centres. Local policymakers could also establish an appropriate regulatory framework – such as short-term commercial leases – to support the temporary reuse of vacant retail units for pop-up shops or cultural initiatives to foster business experimentation and help prevent urban decline. For example, the Puur Ghent programme (Belgium), supports such matchmaking by helping link retailers with available commercial spaces. In parallel, amending zoning regulations to allow for the easier conversion of retail units into mixed-use developments – such as offices or residential spaces – can be an effective strategy. However, such changes should be carefully managed to ensure active street-level uses are retained and the character of key commercial areas is preserved.

Box 4.7. Revitalising city centre retail: Local strategies from Slovenia and Germany

Ensuring accessible commercial spaces for local businesses in Koper (Slovenia)

The city of Koper in Slovenia has implemented several effective strategies to support local retail SMEs and revitalise its city centre. One notable initiative is the subsidised commercial rents, where the city offers a 30% discount on commercial premises to retailers that cater to the specific needs of the local population, such as clothing shops, technical tool stores, and bakeries. This approach helps shift the focus away from tourism-driven retail, which previously led to an overabundance of souvenir shops that did not serve the everyday needs of residents. Additionally, the city has restricted the conversion of ground-floor commercial properties to residential use in the city centre, ensuring that retail spaces remain available for local businesses. To further support entrepreneurial ventures, the municipality also facilitates pop-up shops by identifying vacant commercial properties, renting them at no cost to small retailers, who only cover utility expenses (see case study on Koper, Slovenia – Providing affordable premises and innovative planning solutions to enable retail SMEs to compete with digital and out of town outlets).

Combating retail vacancy in Bonn (Germany) through integrated urban policy

Following the COVID-19 lockdowns, footfall declined significantly in the city centre of Bonn (Germany) and only recovered gradually. As of 2025, pedestrian numbers have nearly returned to 2019 levels. Among its main retail centres, vacancy rates reached a peak after the pandemic, especially in the two shopping districts of Bonn City Centre (10%) and Duisdorf (10%). To address retail vacancy in its city centre, the City of Bonn has adopted a multifaceted strategy combining regulatory flexibility, targeted support services, and urban redevelopment. It has facilitated regular "Verkaufsoffene Sonntage" (Sunday openings) through a unique, locally negotiated agreement renewed every three years with business and civil society stakeholders. Through its Zentrenmanagement programme, Bonn supports business networking, events, and co-ordination between retailers and property owners, with funding from municipal, regional, and federal sources. The city's Economic Development Office provides dedicated advisory services to retailers, acting as a one-stop shop for real estate, regulatory, and financial support. Additionally, Bonn has invested over EUR 16 million in climate-resilient urban redevelopment, including pedestrianisation and public space improvements, to enhance the appeal and accessibility of retail areas (see case study on Bonn, Germany – Co-ordinating with stakeholders to create a supportive environment for retail SMEs).

Source: Office for Economy, Agriculture and Development, Koper (Slovenia) and Economic Development Office of the City of Bonn (Germany).

Retail SMEs in cities can leverage green, cultural and social amenities as a comparative advantage to online retailers

Green infrastructure plays a critical role in enhancing urban environments, delivering environmental, health, economic and commercial benefits, and directly benefiting retail SMEs by increasing foot traffic and improving shopping experience in cities. Urban retail activity is influenced by climatic factors and urban design, as adverse weather – such as heavy rain, high winds, or extreme temperatures – can deter shoppers from visiting brick-and-mortar stores. Moreover, integrating green spaces and sustainable design elements can enhance the shopping experience, making retail areas more resilient to climatic stressors and more appealing to environmentally conscious consumers. Green infrastructure, including urban tree planting, contributes to promoting biodiversity, mitigating climate change impacts, and enhancing commercial property values. Urban greenery mitigates the urban heat

island effect, preventing the decrease in pedestrian footfall during hot days. In addition, investments in urban green infrastructure offer significant economic and social benefits, enhancing both business performance and workforce wellbeing. To leverage these positive effects on economic and retail activity, policymakers could implement nature-based solutions by investing in green infrastructure to strengthen urban climate resilience and enhance the aesthetic and environmental quality of public spaces. In London's Victoria Business Improvement District (BID) (United Kingdom), for instance, strategically integrated green improvements – such as green walls, street trees, and roof gardens – stimulate local economic activity by increasing consumer footfall and extending dwell times. Businesses in Victoria BID, particularly in the retail and hospitality sectors, leveraged green areas to differentiate their offerings, attract environmentally conscious consumers, and enhance the overall urban experience. Additionally, urban greening has been linked to improvements in workplace satisfaction, fostering higher employee morale, increased team cohesion, and a more positive corporate image (Cinderby and Bagwell, 2017[87]).

Enhancing the urban environment by preserving cultural and historical heritage in city centres plays a crucial role in urban economic strategies, contributing to the optimisation of retail performance and the enhancement of the customer experience. The urban environment and the visual aesthetics of retail shops are an integral part of retailers' strategies to influence a consumer's decision to visit a shop, enter it, and ultimately purchase a good or service. The distinctive architecture of city centres – whether medieval, as in Koper (Slovenia), predominantly from the 19th century, as in Barcelona (Spain), or partially shaped by 20th-century industrial heritage, as in Turin (Italy) – allows retailers to integrate their shop into the historical, symbolic, and heritage dimensions of the location. These cultural and heritage strategies, which emphasise both tangible and symbolic heritage, reinforce economic and commercial attractiveness by drawing in high-spending clientele, creating new jobs and revenues through increased local attractiveness for tourists, talent and firms (OECD/ICOM, 2019[88]). The restoration of historic buildings has increasingly been recognised as a strategic tool for urban and retail regeneration. Empirical studies, such as those conducted in Hong Kong's Wanchai district (China), reveal that the conservation and adaptive reuse of heritage buildings can significantly enhance retail performance and property values. The rental premiums for ground-floor shops near revitalised heritage sites have been found to rise by up to 15%, reflecting the increased commercial appeal of heritage-led redevelopment (Jayantha and Yung, 2018[89]). Protecting distinctive cultural and architectural characteristics is essential to attracting both residents and visitors while countering the homogenising effects of mass tourism.

Box 4.8. Leveraging culture and tourism for urban revitalisation: The case of Turin (Italy)

In Italy, Turin's urban transformation underscores the strategic role of culture and tourism in fostering economic dynamism and revitalising retail ecosystems. Unlike Milan (Italy), where private sector investment was the primary catalyst, Turin's renewal was predominantly public sector-led, with local authorities actively steering urban planning initiatives. Recognising the economic potential of cultural assets, the city undertook targeted investments in museums and heritage sites, notably the expansion and modernisation of the Egyptian Museum. Historic buildings were repurposed to host cultural events and exhibitions, enhancing the city's attractiveness as a visitor destination. A pivotal moment in this trajectory was the 2006 Winter Olympics, which significantly bolstered Turin's global visibility and catalysed long-term growth in its tourism sector. By leveraging its cultural amenities, Turin reinforced local retail activity and created a more vibrant urban environment conducive to retail SMEs growth.

Source: Torino Urban Lab (n.d.[90]), https://urbanlabtorino.it/?lang=en. .

Creating a vibrant and diverse city centre to engage and attract residents and consumers

Cultivating diversity and authenticity in urban spaces

Retail SMEs in city centres possess a distinct competitive edge over both online and out-of-town retailers by capitalising on local identity, community engagement and social cohesion. As e-commerce continues to expand, city centres can differentiate themselves by offering unique experiences to visitors. The character and uniqueness of urban spaces are critical factors influencing consumer behaviour. For cities to thrive, they must be viewed as destinations, offering distinct and authentic experiences. In cities such as Lisbon in Portugal and Koper in Slovenia, retail authenticity[4] has become a key purchasing criterion for both locals and tourists, particularly in contrast to standardised or mass-market offerings. However, mass tourism has also undermined the unique character of these cities, replacing historic retail spaces that cater to local needs with businesses primarily serving tourists (Guimarães, 2022[91]). To address this issue and prevent tourism-led retail homogenisation, policymakers need to manage the trade-offs of such policies and could prioritise strategies that preserve retail authenticity by supporting locally rooted retail businesses. For example, some cities, such as Palo Alto in the United States, have banned or restricted the establishment of large chain stores in their city centres to preserve commercial space and market opportunities for smaller, independent, and local retailers. Such strategies need to be thought carefully and discussed with all the stakeholders while respecting national or supra-national rules, such as the freedom of establishment in the EU.

Retail SMEs can leverage local and physical competitive advantages to face online competition. While online retail has reshaped consumer behaviour, research highlights that face-to-face interactions remain essential for fostering relationships, trust, and customer loyalty (Reades and Crookston, 2021[92]). Physical retail spaces offer a distinct advantage by facilitating spontaneous social engagement and providing experiential value that digital platforms cannot fully replicate. Brick-and-mortar stores also generally provide a higher level of service quality across dimensions such as reliability, responsiveness, and customer engagement. Consumers tend to perceive physical stores as more trustworthy, particularly regarding product authenticity, as they can physically examine and try the product firsthand, and easily benefit from post-sale services, whereas online retail struggles with personalisation and trust (Sharma, 2015[93]).

Policymakers could prioritise the creation of unique and authentic urban retail experiences. Encouraging place-based retail strategies – those that celebrate the specific cultural, historical, and social characteristics of a city – can significantly enhance the attractiveness of city centres, making them more appealing to both residents and visitors. By doing so, cities can boost local businesses, support economic resilience, and create a sense of belonging and pride among their communities. These efforts will not only help retain consumer interest in urban retail but also contribute to the long-term vitality and sustainability of city centres.

Leveraging festive programming to drive city centre retail vitality

Event-related policies and programmes can contribute to broader placemaking strategies by improving place quality, increasing visits to the city centre, and providing positive marketing to the place as a destination (Richards, 2017[94]; Risselada, Warnaby and Weltevreden, 2019[95]). For instance, festivals generally contribute to a range of economic development outcomes, such as strengthening city branding, stimulating the night-time economy, attracting tourism, creating jobs, and supporting urban regeneration (OECD, 2025[83]). With a holistic understanding of the broader experience available in their city and town centres, policymakers can integrate retail SMEs into strategies aimed at enhancing the reach and engagement of residents and consumers. As such, experiences in city centres through cultural events, local markets, and fairs, can constitute unique offerings distinct from goods and services alone (Pine and Gilmore, 2013[96]). For example, late-night light festivals and Pride Parades in over 100 cities have shown their effectiveness being integrated as part of an economic development strategy (OECD, 2025[83]). To maximise returns for local businesses and turn footfall into spending, events could include strategies to engage local businesses to provide multiple consumption experiences and opportunities for residents and visitors alike (Risselada, Warnaby and Weltevreden, 2019[97]; Fernandes and Chamusca, 2014[98]).

Global events can also represent a significant opportunity to drive footfall to local retailers, as crowds are attracted to the event itself but are by the same occasion exposed to the local retail SMEs (OECD, 2024[99]). Recurring events can not only temporarily increase the number of visitors to city centres but contribute to broader place attractiveness and community development strategies (OECD, 2024[99]). However, lasting impacts on place branding and visibility, leading to sustainable activations in favour of city centre vitality, can also be achieved with effective city centre management through locally relevant animation and programming (Källström, Persson and Westergren, 2021[100]).

Overall, successful strategies for revitalising urban retail through the organisation of local events and cultural festivals hinge on fostering deeper connections between retail, culture, and community engagement. Events like Hannut's artisanal market in Belgium (see Box 4.9) can transform city centres, boosting local commerce while cultivating a unique sense of place. These initiatives not only attract visitors but also enhance the cultural vibrancy of urban areas, creating opportunities for local businesses to thrive and supporting the broader local economy. By promoting such events, cities can encourage a dynamic retail environment that appeals to both residents and tourists, ultimately contributing to the economic resilience and sustainability of the area.

Box 4.9. Leveraging local events to boost retail activity: The success of Hannut's artisanal market in Belgium

A successful example of event policies benefitting retail activity is that of Hannut's (Belgium) local artisanal market. Initially a marketplace for artisans without a shopfront occurring every first Sunday of the month, the initiative has grown steadily since its first edition in 2010 and was subsequently relocated to the city's Grand Place to accommodate growing numbers of shoppers and artisans from every corner of the country. Over 15 years of activity, this artisanal market has become a mainstay of Hannut's city centre attractivity and animation. The exclusivity of handmade products only available at the marketplace has been a key attraction factor for local and regional consumers, as well as country-wide visitors. The popularity of the artisanal market programming has benefitted local retailers as visitors complement their market shopping with the broader commercial offer available in the city centre. In 2012, the city also piloted a Christmas market, reserved for small local artisanal producers. It has since become the largest interior Christmas market in Belgium, attracting over 20 000 visitors – a very significant turnout for a city of 17 000 inhabitants – and featuring over 225 stands. In its festive programming, such as Hannut's yearly carnival celebrating the Belgian National Day, the city ensures the participation of artisans, boosting local retail activity.

Source: Observatory for City Centers (Observatory for City Centers, n.d.[101]), *City Center Management, Commerce, Markets, and Crafts*, https://citycenters.eu/downtownmanagement_commerce_markets_and_crafts/ .

Governance, monitoring and evaluation as enabling factors to support retail SMEs in cities

Introduction

The management and governance of town and city centres plays an important role in overcoming challenges and leveraging opportunities resulting from the twin transition. A great diversity of stakeholders and functions comes together in town and city centres (e.g. work, leisure, culture, education, living, health, shopping and public services), which means that these stakeholders need to work together to develop joint solutions for the benefit of these places. For example, if town centres aim to enhance their digital infrastructure, this requires local businesses, community groups, local authorities and digital providers to co-operate in developing and implementing solutions (Peel and Parker, 2017[102]). Effective governance structures help fill co-ordination gaps and bring the different interests together to create integrated approaches to town centre revitalisation, which in many cases also help to better address the impact of the twin transition on retail SMEs in these places.

Monitoring and evaluation of retail SMEs trends, prospects and policies in cities is essential to drive informed policymaking. Systematic, granular and regular retail data collection is crucial to steer cities through the green and digital transitions. Monitoring gives SMEs operating in city centres clear market insights, for instance by letting them compete with chains and online platforms while adopting new digital tools. It also tracks trends and shifts in consumer behaviour – especially rising sustainability and ethical demands – so the retail mix stays diverse and appealing. For policymakers, city-centre retail data reveal place-specific hurdles such as digital or skills gaps, guide policies to support vitality in neighbourhoods that balance the needs of diverse city-users and increase the transparency and accountability of policies. Yet many cities still face monitoring and evaluation gaps, leading to incomplete or fragmented knowledge bases that hinder a holistic understanding of retail dynamics and their contribution to vibrant, attractive city centres. This chapter therefore sets out four key directions to strengthen monitoring and evaluation: mapping retail SMEs' presence and trends at a granular level, adopting a citizen-centred perspective to

assess how SMEs meet the needs of residents and other city users, providing a systemic view of the interplay between market dynamics and the urban economy, and leveraging novel tools and methods for data collection and analysis to support local governments.

Approaches to the governance and management of town and city centres

Across the EU, places adopt different approaches to the governance of their town and city centres. These approaches can be led by the public sector, for example through the establishment of "place managers" within local governments. This role can include, for example, helping to co-ordinate across the various departments that manage relevant policies, from planning and zoning to small business supports to communications and marketing. In other places, town centre management is led by the private sector, for example through business improvement districts (BIDs), which are a specific type of scheme where local businesses pay an additional tax or levy to finance place-based services and activities. BIDs first appeared in Canada in the 1970s and have since spread to other countries such as the Netherlands and Germany. However, in some countries, the legal framework prevents additional mandatory taxes or levies as is used in the BID model. This reflects the fact that across OECD countries, several different tools are used to finance local development (Clark and Mountford, 2007[103]). Overall, most of the different approaches to the governance and management of town and city centres can be classified as public-private partnerships, as both the local business community and local government are needed to effectively manage town and city centres (Coca-Stefaniak et al., 2009[104]).

Town centre management – a public sector led approach

Establishing roles within local authorities with a specific mandate for place management in local governments can help co-ordinate and formalise efforts. Such district managers, place managers, or revitalisation officers form a node between different departments within a local authority that would otherwise remain unconnected and act as mediators between the municipality, local retailers and the community, seeking to build networks and developing joint solutions (Horbliuk and Stepanets, 2021[105]). In practice, the role of such a place manager can involve tasks such as:

- Development of a town centre revitalisation strategy in collaboration with the relevant departments and stakeholders
- Organisation of events and placemaking activities
- Marketing and branding of the town centre
- Leadership development and training of local stakeholders
- Authorisation of permits in the town centre

Ultimately, the place manager offers a one-stop-shop for any requests related to the town centre, from the revitalisation strategy to funding opportunities for small businesses to authorisations for installing signs or changing façades. In this way, they also seek to contribute to overall retail development as well as capacities for the twin transition among local retailers. For example, in Villeneuve-Saint-Georges (France), the occupancy of ground-floor retail spaces has risen from 348 to 514 between 2021 and 2024 (2021 marks the establishment of a city centre manager) (Métropole du Grand Paris, 2024[106]). Box 4.10 and Box 4.11 provide examples from Ireland and Germany of how such place managers can be established strategically through national policy.

Box 4.10. Town Regeneration Officers (TROs) in Ireland

Ireland's Town Centre First Policy establishes a Town Regeneration Officer (TRO) in each of the participating towns to build a bridge between *Town Teams*, local authorities, and other stakeholders. Their primary responsibility is to ensure that the *Town Centre First Plan* is developed and implemented effectively, facilitating collaboration, securing funding, and supporting long-term regeneration efforts.

One of the key responsibilities of the Town Regeneration Officer is to support and guide *Town Teams*, which are made up of local residents, business owners, community representatives, and other stakeholders. These teams act as local experts, identifying the needs of their towns and developing tailored interventions. The TRO helps establish these teams where they do not yet exist and strengthens their capacity through training, skills development, and knowledge-sharing initiatives. TROs create a node within local governments, connecting departments and by working closely with Public Participation Networks, and Local Development Companies, they foster inclusive community engagement to ensure that the voices of diverse stakeholders are heard.

In addition to capacity building, TROs assist in data collection and analysis, overseeing Town Centre Health Checks to establish baseline data on local conditions. This evidence-based approach supports the formulation of TCF Plans, ensuring that interventions align with both local priorities and national policies. Furthermore, TROs work alongside multi-disciplinary teams within Local Authorities, including Vacant Homes Officers, planners, architects, and urban designers, to identify opportunities for regeneration, reuse of vacant buildings, and enhancement of public spaces. In this process, two of the main priority topics are climate change and adaptation and the digital transformation in town centres.

A critical function of the TRO is to help towns access funding. They assist Town Teams in identifying suitable funding streams, preparing applications for grants such as the Urban Regeneration and Development Fund, Rural Regeneration and Development Fund, and the Town & Village Renewal Scheme. This financial support enables towns to undertake feasibility studies, implement small-scale pilot projects, and ultimately deliver transformative projects that align with the TCF vision.

Beyond their local responsibilities, TROs are part of a national network, facilitating knowledge exchange and sharing best practices across different towns and regions. This structured approach ensures that TCF principles are implemented consistently while allowing flexibility for towns to develop solutions tailored to their unique challenges. By strengthening governance structures, fostering collaboration, and leveraging funding opportunities, the Town Regeneration Officer plays a pivotal role in driving the sustainable regeneration of Irish towns, making them more vibrant, resilient, and inclusive places to live, work, and visit.

Source: Government of Ireland (2022[107]), *Town Centre First - A Policy Approach for Irish Towns*, https://www.gov.ie/en/publication/473d3-town-centre-first-policy/, and see case study Ireland – Towns Centre First – An empowered, inclusive, community-led approach to tackle vacancy and promote economic vibrancy in Irish towns.

Box 4.11. District management teams in Germany

Similar to Ireland's Town Centre First Policy, Germany's Lebendige Zentren (Living Town and City Centres) programme also provides funding for the establishment of district managers. Created by the Ministry for Housing, Urban Development and Building, the programme seeks to help communities better manage the ongoing structural change in town and city centres. In 2021, the federal government provided a total of EUR 300 million funding for federal states and municipalities. Within this programme, part of the funding is directed at establishing a district management team (as opposed to single actors in Ireland) consisting mainly of partnerships between local authorities and external experts or local stakeholders (81%) – only 13% of the participating communities are managed exclusively by local authorities (Bundesinstitut für Bau-, Stadt- und Raumforschung, 2018[108]). The district management team forms an intermediary between public authorities, private actors, and local communities, often operating from a designated office which serves as meeting point and for information exchange. The team facilitates partnerships, manages funding allocations, and implements tailored regeneration strategies that address diverse areas such as retail, housing, culture, and mobility. Particularly in smaller towns, where local administrations may lack resources, external experts or planning agencies take on an important role in the district management.

With funding from the Lebendige Zentren programme, local stakeholders were able to take on management responsibilities for a high street in Leipzig. While the local government was still responsible for managing funds, the management team on the ground consisted of an externally commissioned planning agency, representatives of the Lindau District Association and the socio-cultural association *kunZstoffe – urbane Ideenwerkstatt e.V.* The team members were all specialised in certain areas, such as renovation of buildings, place making or work with associations. Paired with the team's effort to mediate between associations, local retailers, property owners, private investors and representatives of politics and the city administration, this was a key success factor in reducing vacancy rates and creating a broader engagement and sense of ownership among the local community within the district (Bundesinstitut für Bau-, Stadt- und Raumforschung, 2018[108]). Thereby, the high street management team created the structures and partnerships for a long-term bottom-up management of the area beyond the funding period. The example from Leipzig shows how a national government programme can support community-led district management at the local level.

Source: Bundesintitut für Bau-, Stadt- und Raumforschung (2018[108]), *Aktive Stadt- und Ortsteilzentren - Management der Zentrenentwicklung*, https://www.bbsr.bund.de/BBSR/DE/startseite/_node.html; and see case study Germany – Lebendige Zentren – Revitalising urban cores as multifunctional, resilient, and identity-rich spaces.

Business Improvement Districts and other private sector led approaches

The management of town and city centres can also be led by local retailers themselves. This can be either done through informal partnerships among local retailers or through more formalised approaches, such as Business Improvement Districts (BIDs). Originating in North America, BIDs provide a model in which relevant property or business owners choose to make a collective contribution (in the form of a levy) to fund activities within a designated area. The BID model is most popular in anglophone countries, such as the United States, Australia, the United Kingdom or Canada, but has also reached EU countries like Germany and the Netherlands who have adopted a fully formalised legal framework for BIDs, as well as many other countries that are running voluntary private sector led initiatives akin to BIDs.

BIDs usually require a legal framework that allows the collection of such a levy – at least the consent of the local government. This levy is typically mandatory for all businesses within the designated area to avoid free riding and requires the creation of an association that is responsible for the management and implementation of activities. Once set up, BIDs usually focus on improvements in physical infrastructure (e.g. improvements and maintenance of public space and store fronts, including the creation of green spaces or cycling/pedestrian infrastructure), promotional infrastructure (e.g. marketing and policy advocacy) or safety (e.g. public space regulation and security) of a place (Ward, 2007[109]). In the Netherlands, the Business Improvement District Act ("Wet op de bedrijveninvesteringszones") clearly defines how levies are collected, how decisions are made and in what activities BIDs can engage. Box 4.12 highlights how this plays out in practice, through the Netherlands' biggest BID in Eindhoven.

Box 4.12. The Business Improvement District Eindhoven

Since its enactment in 2015, the Business Improvement District Act allows municipalities to impose a mandatory BID levy on non-residential properties within a designated area. The revenue generated from this levy is used to enhance liveability, safety, spatial quality, or economic development within the area. Depending on municipal regulations, the contribution can be levied on property owners, users, or both. A BID is established for a maximum of five years and can be renewed for an additional five years, provided there is sufficient support from the businesses. Additionally, the funds collected through the BID levy are allocated as a subsidy to a designated association or foundation, which is responsible for carrying out the agreed-upon improvement activities. The law ensures transparency and accountability, requiring these organisations to report on their expenditures.

The Business Improvement District in Eindhoven was established in 2017 as a collective effort by local entrepreneurs and property owners to invest in the city centre's development. Within the BID, approximately 2 100 businesses and property owners contribute EUR 800 000 per year. The goal is to attract more visitors, encourage longer stays, and support local economic growth through joint investments in marketing, events, and infrastructure improvements. Among their projects, the BID focuses on creating new green spaces in the city centre and maintaining them, for example by providing watering cans to local businesses.

The BID operates in co-ordination with the municipality but remains independently managed by a board representing contributors. It funds both large-scale events like GLOW and the Dutch Design Week and smaller projects aimed at improving the local business environment. Additionally, it seeks to strengthen co-operation among entrepreneurs and advocate for their interests. The BID also works in close collaboration with related organisations, such as the Inner-City Foundation or other business associations.

To better co-ordinate collective efforts, the BID, the municipality of Eindhoven and the Inner-City Foundation have created the Inner-City Office. Founded in 2023, the Inner-City Office creates a node between local businesses, real estate owners and the various other stakeholders involved in the city centre. A main product of their work is a digital platform that hosts over 880 local stakeholders, which serves to share information on current and upcoming activities in the city centre and provide a platform for discussion and knowledge exchange, mainly for local business owners.

Source: RVO (RVO, 2015[110]), *BIZ (Bedrijven Investeringszone) oprichten*, https://ondernemersplein.overheid.nl/bedrijven-investeringszone-biz-oprichten/ and BIZ Eindhoven (2024[111]), *BIZ Eindhoven - Voor het economisch belang van de Binnensatd*, https://bizeindhovencentrum.nl/.

The state of Rhineland-Palatinate (Germany) not only provides a legal framework but also funding for BIDs. The state funding as part of their "CityBoost" programme mainly seeks to help establish a BID

manager who co-ordinates the project on-site. The BID in Koblenz's *Schloßstraße* is a pilot project with a total budget of approximately EUR 900 000 (83% funded by property owners and 17% by the state) over 5 years to demonstrate the viability of the BID model in Rhineland-Palatinate and serve as inspiration for other communities to adopt it. The BID proactively drives the twin transition by implementing and maintaining green spaces, developing digital infrastructure (such as public Wi-Fi), or installing charging stations for electric vehicles. Similar to the BID in Eindhoven, the BID *Schloßstraße* works in close collaboration with several local stakeholders, such as trade associations and the chamber of commerce, as well as with the local government to align priorities and work on common agendas.

BIDs harness the collective power of local businesses and can thereby become an active driver of the twin transition in town and city centres. BIDs provide a structured mechanism for businesses to contribute financially to local improvements, ensuring sustained investment in public space maintenance, marketing initiatives, and security measures (Ziebarth, 2020[112]). In this way, local businesses can become an active driver in the twin transition of town centres. In Canada, the Downtown Vancouver Business Improvement Association shifted from opposing to actively promoting and funding separated cycling lanes after recognising that such infrastructure attracts more additional customers than are lost through reduced car parking (Lovgreen, 2017[113]). Many other BIDs across North American cities such as New York City, Washington DC or San Diego (United States) are capitalising on such a paradigm shift towards walkable and bike-friendly downtown areas in an effort of inducing economic recovery (Surico, 2023[114]).

In places where the BID model is not used, other private sector led approaches can serve to pool resources, advocate for shared interests and develop strategic plans for town and city centre revitalisation. For example, chambers of commerce can act as intermediaries that facilitate dialogue between businesses, local authorities, and other stakeholders, strengthening collaboration and ensuring that business needs are reflected in policy decisions. Informal retailer coalitions can also be effective in mobilising resources for targeted initiatives such as events or advocacy efforts (Coca-Stefaniak et al., 2005[115]). These private sector-led models can be particularly beneficial in contexts where public sector funding is constrained, as they allow local businesses to take an active role in shaping the economic and physical landscape of their town or city centre (Chamusca, 2014[116]).

However, private sector led governance approaches also raise concerns, for example related to free-riding and gentrification. Especially in informal partnerships, where contributions are voluntary, free-riding can become a challenge, meaning that businesses that do not contribute to the collective fund may still benefit from the improvements financed by others. This can potentially lead to conflict and ultimately underinvestment in shared initiatives (Coca-Stefaniak et al., 2009[104]). Another concern is the risk of gentrification, where BID-driven improvements and increased property values lead to the displacement of smaller, independent businesses and vulnerable residents that can no longer afford rising rents (Yingyin and Lombardi, 2023[117]). This dynamic can reduce economic diversity and alter the social fabric of town and city centres, making it crucial for private-sector initiatives to link their efforts with those of the local authorities and civil society organisations in order to make investment decisions that benefit the broader community.

Public-private partnerships, networks and collaboration form the essence of successful town centre management

Both public and private sector-led approaches to the governance of town and city centres rely on strong public-private partnerships. All the examples of public and private sector-led approaches presented above highlight the importance of strong collaboration between the different actors that have a stake in the town or city centre. Whether that is the collaboration of Town Regeneration Officers in Ireland with local Town Teams, or the shared district management responsibilities among local stakeholders in Germany's *Lebendige* Zentren programme, the governance of town and city centres is a multi-stakeholder effort and inherently based on public-private partnerships between the business community and local

authorities. Such partnerships can further ensure the longevity and legacy of town centre management. As all the introduced examples work under specified time restrictions (e.g. BIDs in the Netherlands are limited to 5 years with a maximum extension of an additional 5 years), forming partnerships with local stakeholders helps to maintain ownership and engagement beyond funding or project cycles.

Identifying and mobilising the right stakeholders is crucial for the success of town centre management. Effective collaboration across local authorities, business networks, and civil society groups helps bridge gaps in expertise, access funding, and ensure broad community buy-in. Local governments may face resource constraints and lack the necessary technical knowledge to implement complex projects, such as nature-based solutions or business decarbonisation. Policymakers can overcome these challenges by working across public agencies and departments, as well as with business networks and civil society groups to tap into a broader pool of knowledge and expertise, access external funding and sponsorships, and spread the word to build buy-in and engagement (OECD, 2023[118]). Additionally, engaging the local community from the outset fosters a sense of collective ownership, increasing the legitimacy of interventions and improving long-term sustainability (e.g. by transferring responsibilities to the local community, such as the maintenance of green spaces) (OECD, 2023[119]).

Higher levels of government and network organisations play an important role in the governance of town and city centres, not only by providing funding and legal frameworks, but also by creating platforms for peer-learning and incentives for good practice. For example, the *Centres-Villes Vivants* (Living Centres) programme of the Greater Paris Metropolis hosts an annual conference for the exchange of best practices, sharing research and broader trends, as well as awarding communities for special achievements. Similar approaches also exist outside of the European Union, such as the MainStreet Australia Awards or Scotland's Towns Conference. The main value of hosting such events is creating an additional incentive for local communities to champion town centre revitalisation in the form of awards, as well as creating a platform for peer-exchange and learning, which can spur innovation and lead to the initiation of grassroots initiatives (van der Heijden, 2014[120]).

Strengthening monitoring and evaluation of retail SMEs trends, prospects and policies in cities

The role of monitoring and evaluation in empowering retail SMEs for thriving city centres: Mapping indicators in city and national initiatives

Most cities with initiatives for local retail have also adopted indicators to monitor retail trends or evaluate the impacts of their policies either on "firms", "people" or "places". To understand what it means to measure small retail, as well and its role for citizens' wellbeing and adaptation to the green and digital transition in the urban environment, the OECD has conducted a review of indicators related to retail across 19 cities and national initiatives from 2 countries targeting retail in city centres. The sample has been selected to be representative of the diversity of European cities across countries. The sample considers cities across 11 countries: Belgium (Bruges, Brussels, Ghent), France (Poitiers, national initiative "Action Coeur de Ville"), Germany (Bonn), Ireland (Dublin, Waterford), Italy (Bari, Florence, Milan, Turin), the Netherlands (Amsterdam), Portugal (Braga), Slovenia (Koper), Spain (Bilbao), Sweden (Stockholm), and the United Kingdom (Birmingham, Bristol, Norwich and National initiatives "Future High Streets Fund", "High Streets Task Force", and "Town Deals") (see Table 4.2). The sample also considers the diversity of European cities in terms of size: the sample is composed of seven cities with more than 500 000 inhabitants (35% of the sample), six cities between 250 000 and 500 000 inhabitants (30%), four cities between 100 000 and 250 000 inhabitants (20%), and three cities below 100 000 inhabitants (15%). The indicators applied by initiatives can target either "firms", i.e., monitoring the supply side of the retail SMEs market, "people", i.e. monitoring the local demand, or "places", i.e. monitoring wider urban characteristics

related to the “proximity economy” and city vitality. The mapping exercise found that 19 out of 21 initiatives (90%) also include indicators for their monitoring and evaluation.

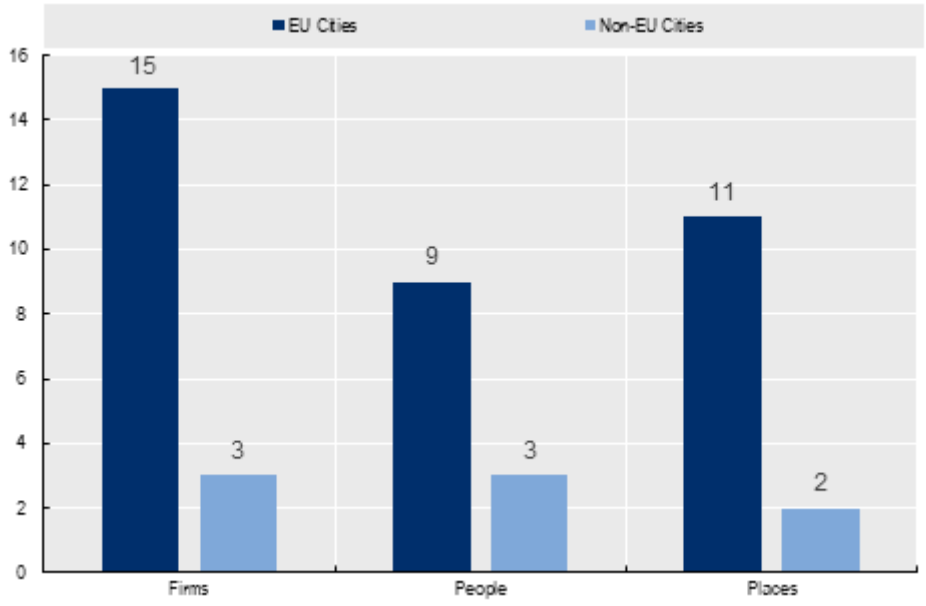
Table 4.2. Mapping of monitoring and evaluation of retail frameworks in cities

	Population		Target		Leading Indicator	Spatial level (granularity)
		Firms	People	Places		
EU cities						
Amsterdam, The Netherlands	918 117		X	X	Vacancy rates (floorspace); job development in retail sector; online exposure/ vulnerability; customer's purchasing power	Neighbourhood
Bari, Italy	315 948	X			Number of commercial activities and workers	City
Bilbao, Spain	344 127	X			Footfall, evolution of commercial activity; retail density; inflation rates; business closures; employment levels in retail; digital adoption rates	Neighbourhood
Bonn, Germany	336 465	X	X	X	Footfall	City
Braga, Portugal	201 583	X		X	Historic shops and traditional activities	City
Bruges, Belgium	119 541	X			Vacancy rates; total percentage of retailers; distribution of activities per identified site (per sector)	City
Brussels, Belgium	1 229 580	X	X	X	Retail density of commercial cores; types of retail; retail standing; pedestrian areas; urban planning permits issued to commerce	Neighbourhood
Dublin, Ireland	2 073 459	X	X	X	Commuter modes of transport; access to points of sales; floorspace; performance of the retail sector; shopper profile	Greater area
Florence, Italy	361 619	X		X	Number of historic shops and traditional activities and crafts	City
Ghent, Belgium	268 122	X	X	X	Vacancy rates; total percentage of retailers; distribution of activities per identified site (per sector)	City
Koper, Slovenia	53 462				-	City
Milan, Italy	1 349 930	X			Density of firms of the proximity economy.	Neighbourhood
Poitiers, France	90 240	X	X	X	Monthly rates of attendance; existing offer analysis; shopping patterns; on-street parking; use of public transportation to reach city centre	City
Stockholm, Sweden	988 943	X	X	X	Movement density; retail zones	Grid level (20m^2 hexagon)
Turin, Italy	848 748	X			Retail density of small shops	Neighbourhood
Waterford, Ireland	60 079	X	X	X	Floorspace or vacancy rates; shopping patterns within catchment area	City scale
France (Action Cœur de Ville)*	—	X	X	X		City
Non-EU cities						
Birmingham, United Kingdom	1 157 603			X	Broadband speed (digital infrastructure)	City
Bristol, United Kingdom	483 000	X	X		Net absorption rate of city centre; vacancy rates; market rent growth; availability of space per retail sectors; spending patterns; identification of high streets	City
Norwich, United Kingdom	144 525	X	X		Vacancy floorspace; Footfall	City district
United Kingdom*	—	X	X	X		City

Note: *national initiatives.
Source: Based on OECD Local Data Portal and OECD Data Explorer.

While types of indicators adopted differ, most initiatives target the "firms" dimension, while the "places" and "people" dimensions are less monitored. Less than half of the cities embrace all the three dimensions. 18 out of 21 initiatives (86%) target "firms", while indicators on "places" and "people" are used respectively by 13 (61%) and 12 (57%) initiatives (Figure 4.1). Additionally, less than half of the initiatives (8 – 38%) use a set of indicators referring to firms, places and people, and one quarter of initiatives (5 – 24%) focuses only on one dimension, most often "firms". A limited focus on "places" and "people" dimensions risks providing an incomplete picture of SME retail in city centres, potentially hindering the development of holistic policy interventions able to address the complex interplay between SME businesses, their physical urban environment, and the community they serve. While commercial vacancies and information on firms are largely used, indicators on people and places are more fragmented, thus hindering cross-city comparison (see Table 4.3).

Figure 4.1. Monitoring and evaluation of retail targeting "firms", "people" and "places"



Note: Count (N=21).
Source: Based on the review of indicators related to retail used by a sample of 19 cities and 2 countries.

Table 4.3. Most used indicators by cities to monitor and evaluate retail targeting "firms", "people" and "places"

Firms	People	Places
Commercial vacancies	Footfall traffic	Accessibility of city centres
Number and density of firms	Socio-economic profile of customer	Housing vacancies
Distribution of activities per sites or commercial cores	Analysis of purchasing power	Environmental quality
Retail standing	Tourist flows or tourist offer	Perception of safety
Retail overturn or longevity		Attachment to city centres
Types of SMEs		
Online exposure and resilience		

Main challenges in monitoring and evaluation faced by cities

Cities struggle to set effective, timely and granular M&E of retail due to limited financial, human, and technological resources (see Box 4.13). Financial constraints hinder the ability to invest in sophisticated data-collection tools or to hire expert personnel to manage and interpret the data. Human resource challenges arise from the limited capacity of municipal staff, who often juggle multiple roles and therefore cannot devote sufficient time to the detailed analyses required for retail trends. Technological limitations, such as outdated or inadequate infrastructure, make it more difficult to gather and process relevant data efficiently. As a result, cities may struggle to effectively monitor retail trends, thereby impeding their ability to make informed decisions. These limitations are especially pronounced in smaller cities, which often lack the scale of large urban centres that can allocate dedicated resources to advanced data collection and analysis.

Box 4.13. Financial, human resources and technological limitations in M&E of retail SMEs in cities

- Financial limitations:
  - In Bonn (Germany), in 2020 and 2022, the Economic Development Office commissioned the Institute for Retail Research (IFH Koln) to survey pedestrians' access to city. These surveys contributed to the IFH study "Vital City Centres" (METRO AG and IFH Köln, 2021[121]), but due to budget constraints, the study was not commissioned again by the city in 2024, and its continuation in 2026 remains uncertain[5].
- Human resources limitations:
  - Koper (Slovenia) faces challenges in evaluating the impact of their current policies due to the lack of data collection and analysis capacities. While the city reports success stories from its grant allocation scheme, there is no comprehensive data to measure the actual improvements these policies bring. One key monitored indicator – the municipal support for lease payments – indicated that smaller entrepreneurs struggle to sustain their business long-term, resulting in high turnover. This highlights the need for more monitoring and evaluation initiatives. Indeed, the city foresees an analysis of its central streets to identify buildings that could be rented to the municipality from private property owners to enlarge their availability of municipality owned/ rented spaces.[6]
  - In Brussels (Belgium), despite several teams working on data collection and analysis, the city faces capacity challenges to sustain the current comprehensive and effective level of analysis with regular updates and comparison studies.
- Technological limitations:
  - In the United Kingdom, vacancy rates are an important and reliable data source at a granular level. However, footfall measures are less reliable, due to different providers of data, utilising varied methodologies, posing difficulties for comparability and joint analysis between cities.
  - In Bilbao (Spain), while programmes on monitoring of retail have been implemented, precise and holistic measurement of their economic impact remains difficult due to varying external factors.

Source: Based on interviews conducted with cities and national governments.

Cities often lack data and indicators for understanding retail SMEs alignment with city-centre residents' needs. As shown earlier in Figure 4.1, existing M&E frameworks used by cities and national initiatives less frequently target the "people" dimension. Consequently, cities may not gather crucial information on the demand side of the retail market. Furthermore, a significant challenge is not necessarily the complete absence of data, but rather that the available data and indicators are not granular enough to reflect demographic profiles, spending habits, and specific preferences. The consequence is that available indicators may fail to adequately capture how well retail supply meets the actual needs of the local population. Without this information, small retailers cannot effectively tailor their offerings to meet local demand, and local administrators face a bias in taking action to support retail. Similarly, indicators used by cities may be misaligned in terms of understanding how well the retail align with residents' needs, or for instance, whether it is more oriented toward other city users, like tourists or visitors – and their potential trade-offs e.g., increased prices for locals, seasonal fluctuations, or a product range that does not meet local needs. This data gap not only hampers the competitiveness of SMEs but also limits the ability of local governments to design policies that support businesses in meeting the evolving needs of their communities. As consumer demand may shift with the green and digital transitions, for instance due to sustainability preferences or digital trends, it becomes even more crucial for cities to track how retail SMEs align with those changes. Therefore, the absence of this data makes it harder to assess the effectiveness of policies designed to support small retail or to address mismatches between supply and demand.

Constraints in achieving a holistic understanding of retail SMEs generate a broader impact on the urban "proximity economy". While retail SMEs are a fundamental component of urban success, particularly its "proximity" dimension (OECD, 2024[68]), and the "proximity economy" – the local economic ecosystem that thrives on face-to-face interactions, innovation, knowledge transfer and services close to residents in "small, accessible areas where activities like retail thrive" (European Commission, 2024[35]) – current M&E efforts often narrowly focus on retail activity itself. Despite the crucial role of retail SMEs in fostering future-proof, vital, and successful cities, many M&E systems are limited to assessing either the supply side (e.g., number and types of retail outlets) or the demand side (e.g., consumer foot traffic). Critically, these systems often fail to capture the intricate relationships and broader impacts of retail SMEs on urban success, vitality, and the proximity economy. This fragmented approach neglects how the interaction between retail supply and demand influences crucial community outcomes such as job creation, social cohesion, access to essential services, and the overall vibrancy and attractiveness of city centres. This incomplete picture hinders the development of holistic policies that could optimise the retail environment to strengthen the local economy, enhance urban appeal, and improve citizens' quality of life. A comprehensive M&E framework that explicitly connects the monitoring of retail with broader indicators of urban success and the proximity economy is therefore essential.

The fragmentation of city-level M&E frameworks, particularly regarding SME retail, significantly hinders comparability and the development of systemic approaches for cross-city analysis. While many local governments collect and analyse data relevant to SME retail, efforts specifically targeting retail SMEs often lack standardisation in indicators, definitions, and methodologies. As a result, data on retail SMEs remains inconsistent across cities, making it difficult to assess sector-specific trends, evaluate the impact of urban policies, or benchmark performance. Cities may invest substantial resources into M&E – often involving specialised teams or external providers – but the absence of harmonised frameworks undermines the value of these efforts when it comes to retail SMEs. This lack of comparability limits shared learning and prevents cities from identifying best practices or common challenges in supporting retail SMEs. These challenges underscore the importance of regional and national coordination in developing consistent, scalable M&E frameworks that are tailored to the retail SME sector.

Directions to strengthen monitoring and evaluation of retail SMEs

Urban policies can take four key directions to strengthen the monitoring of trends and the evaluation of the impacts of actions:

- Going granular in mapping retail SMEs presence and trends through detailed spatial analysis of retail distribution and diversity in neighbourhoods.
- Gathering citizen-centred evidence on how retail SMEs matches the needs of residents.
- Measuring the role of retail SMEs on cities' vitality and the proximity economy.
- Supporting local governments and leveraging digital tools for monitoring and evaluation.

Going granular in mapping retail SMEs presence and trends

Creating and analysing data and indicators at a detailed sectoral and geographical level is essential to monitor the evolution of the retail supply in cities. To inform place-based policies targeting the improvement of thriving retail, quantitative and qualitative data could prioritise challenges and opportunities of retail SMEs. To effectively inform this monitoring and evaluation, several indicators might be produced, encompassing a broad range of dimensions such as economic performance, business demography, labour markets, skills among others. For instance, indicators on economic performance can provide insights into the economic health of retail SMEs, while labour market metrics can shed light on the sector's ability to create jobs and align skills with market need.

M&E needs a dedicated focus on small and micro retail. In the face of large retailers and international companies, smaller retailers often struggle to stay competitive, including in terms of monitoring and analysis of trends and local market evolutions. This necessitates policy support to understand demand due to financial, human resources, and technological limitations. First, as compared with larger firms, small retailers lack the financial resources to invest in advanced market research. Furthermore, data available externally may be expensive to purchase, scattered, and partially available, making analysis difficult. Specifically, granular and geographically detailed data (e.g., referring to neighbourhoods where the retailers are located) might often be unavailable or scarce. Small retailers also suffer the most from a lack of dedicated human resources and expertise to conduct market analysis. Finally, the digital gaps characterising smaller retailers hinder data-driven monitoring. A direction of mapping the specificities of small retail is provided by the city of Turin (Italy), which has set a platform mapping retail presence by distinguishing based on firm size (proxied by retail surface area), and has a dedicated indicator and mapping of "neighbourhood shops" ("*negozi di vicinato*", i.e. shops with a surface less than 250 square metres), which allows them to disentangle the spatial distribution of small retail (Torino Urban Lab, 2020[122]).

National and local governments can better understand retail SMEs trends in cities through detailed spatial analysis of retail distribution and retail diversity in neighbourhoods. A key direction is to strengthen the monitoring of business turnover or retail vacancy at a geographically detailed spatial scale, which allows preventing commercial desertification of some parts of the city. For instance, the city of Milan (Italy) maps areas at risk of commercial desertification. By combining data analysis with field surveys in collaboration with trade associations and municipal districts (City of Milan, 2024[123]). This allows not only to understand the current but equally to forecast future commercial offer in a given neighbourhood, an important predication to estimate resilience, future needs and anticipate the rapid changes.

Monitoring frameworks could consider the variety of retail types and their location. To achieve this, cities could develop monitoring indicators that measure the variety of retail types within different geographical areas, going beyond surface-level classifications and track their spatial distribution. For instance, Ghent (Belgium) monitors the distribution of activities in neighbourhoods (between beauty stores, leisure, clothing, food, services, and HoReCa) to identify clone retail – i.e. repetitive, undiversified activities

commonly present in touristic city centres where commercial activities are tailored to tourists ("tourist shops"). By analysing retail diversity and distribution, the city addresses the lack of unique offerings and promotes a more balanced commercial mix. Also, Bruges (Belgium) identifies main commercial streets and commercial cores and measures the state and type of retail as well as the distribution of activities present in those sites, as compared to national averages through a platform developed by a private company specialised in conducting observatories of the commerce sector (Codata, 2022[124]).

Implementing a dynamic monitoring process is essential for tracking retail SME trends over time. To truly understand the evolving dynamics of retail SMEs, monitoring efforts need to be viewed not as one-off events, but as continuous processes that track changes over time to capture evolutions and shifts. Bilbao (Spain) provides a good practice in this field by conducting a structural biennial study on retail, which maps businesses (including shops and restaurants) at the district and neighbourhood level and analyses business turnover (tracking closures and openings), with the strategic aim to better integrate commerce into the urban model (Bilbao Ekintza, 2025[125]). This frequency allows the city to monitor the dynamics of retail over time and highlight structural changes in the retail offer.

Effective monitoring requires cities to consider both absolute indicators of retail vacancy and measures of progress towards their desired commercial potential. This allows for a more nuanced understanding of the retail and helps identify areas that are underperforming or have opportunities for growth. Norwich (United Kingdom) goes in this direction by monitoring retail vacancy with a detailed breakdown of vacant floorspace versus vacant available floorspace (excluding spaces under refurbishment), the number of vacant units, and the change in total retail floorspace (Norwich City Council, 2024[126]). This detailed data helps the city not only track the absolute levels of vacancy but also identify zones seeing decreases in commercial renting and an increase in vacancy, thus highlighting areas that are losing their potential as commercial cores, and simultaneously highlighting areas where retail is growing, and the potential is being realised.

Gathering citizen-centred evidence on how retail SMEs matches the needs of residents

Enhancing public participation and collecting granular data is essential to ensure that small retail aligns with the evolving needs of urban residents. According to the OECD Trust Survey, about 41% of people in OECD countries believe that they should have a say in community decisions that affect their local area (OECD, 2021[127]). It is imperative for governments to enhance citizen's voices in policymaking as a vehicle for promoting democratic values, ensuring the representation of diverse perspectives, fostering transparency and enhancing legitimacy of decisions. Enhancing the local retail sector offer in a city centre and its environment is an area where citizen participation can have a tangible impact, influencing not only economic vitality but also social cohesion and community wellbeing.

Collecting citizen-based subjective indicators helps complement objective measures of retail SME vitality in city centres. The national policy Action Coeur de Ville, in France, conducts satisfaction surveys on the attractiveness of city centres – including commercial presence – to identify areas for improvement. Within the action, the *Baromètre du centre ville* (Barometer of city centre) conducts yearly studies on the residents' attachment to their city centres, frequency of visits, the attractiveness of commercial offer, and concerns regarding overall urban vitality of the city centre in question (Centre-Ville en Mouvement, 2024[128]). For instance, a dedicated question in the survey asks whether residents are attached to their city centre, finding that in 2024, 64% of residents expressed attachment. The survey also makes a distinction between demographic, social and economic features of citizens: for instance, it found a higher level of attachment among people under the age of 35. The initiative also examines public perceptions of city centre modernisation efforts, with mayors, municipal councils and local businesses identified as the major potential actors and drivers of change. Such surveys are a way of identifying challenges in city centres, with a focus on responding to the needs of inhabitants first – positioning inhabitants as stakeholders in the present and future of the city centres.

Creating disaggregated indicators of retail demand – based on the demographic, social, and economic profiles of residents and other city users – is essential for supporting retail SMEs. A detailed analysis of demand allows for identifying market gaps, revealing unmet consumer needs in terms of products, locations, offer – for instance, identifying urban retail deserts where access to retail services is scarce. As an example, in large cities like Paris (France), Berlin (Germany), or Rome (Italy), it is often low-income neighbourhoods that lack easy access to fresh, affordable products, underscoring the geographical and economic divides that characterise unequal access to food, even within prosperous urban areas. Moreover, changing demographic trends with ageing populations brings rapid changes in customer needs, wants and ability, increasing the demand for a more supportive environment and easy access to affordable food products and retail facilities for older residents. Analysing the demographic profiles relevant to retail SMEs – as well as other relevant characteristics like the status (e.g. workers, students, retired, etc.) – helps to optimise locations, marketing and inventory based on market demand. It helps SMEs to target specific retail audiences, providing them with data which otherwise would not have been available to them and consequently to differentiate themselves through pricing, quality or unique offerings to attract customers. To address these gaps, getting the data firsthand at the level of the consumer can directly enhance liveability and quality of life of residents by providing necessary services. For this reason, some cities conduct studies on the shopper profile or retail profiling:

- **Leveraging demographic and consumer data to optimise retail locations and retail diversity.** Brussels (Belgium) collects data on the social profile category (i.e. manager, unemployed, retired, self-employed, student), household status (i.e. couple with child/ren, single person, living with parents), desired shops (i.e. supermarkets, dietary foods, bakeries, clothing) as well as average monthly income and average spending per visit to determine purchasing power in the neighbourhood and potential needs of the residents (hub.brussels, 2024[129]).
- **Investing in data-driven tools.** Braga (Portugal) has a centralised platform, which aggregates data from street sensors, mobile network, and municipal systems to create dashboards for local business. This data-driven tool provides insights on foot traffic and customer demographics and can be used for improving marketing actions and creating targeted campaigns

Analysing the impacts of tourism on urban SME retail is essential to balancing the needs of both residents and visitors. Intense tourism flows can have negative impacts on people and places, negatively affecting local consumption spaces, adapting to tourist demand, while potentially eroding feelings of place attachment among residents. Retail and leading to their avoidance behaviour in visiting the inner centre or certain areas of their city. This changing demand requires entrepreneurs to strike a careful balance between a local authentic offer and atmosphere and recognisable products in a familiar setting satisfying the demand (I.W. Hagemans, 2024[130]). The city of Amsterdam in the Netherlands has conducted an “Inner City Survey 2024”, set out to make the city centre a place that residents like to frequent and spend time in. By asking what draws Amsterdam’s residents to the heart of the city – whether for culture, dining, or shopping – and uncovering the reasons they might avoid it (i.e. retail standardisation, “touristification”), the survey provides critical insights for urban planning and policy, to ensure it remains a vibrant and welcoming space for residents, not just tourists (Municipality of Amsterdam, 2024[131]).

Going beyond sectoral measurements to provide a comprehensive understanding of market dynamics, and their impacts on urban economy and society

Cities could apply a systemic approach in measuring the linkages between retail market trends and the “proximity economy” to effectively capture the role of retail SMEs in driving urban vitality and attractiveness. Cities tend to use sector- and supply-based indicators (e.g. commercial vacancy, market trends, density of firms etc.) to assess the performance of small retail. Nevertheless, retail activity is not isolated, but embedded in a physical, local context, which impacts the overall attractiveness of attending retail SMEs and can discourage visitors and residents from visiting stores or restaurants. City governments

that aim at enhancing the success of retail SMEs could in parallel aim at improving the living environment, seeing the inner-city centres as ecosystems in which retail SMEs operate and improving their overall economic vitality, accessibility and vibrancy. A holistic analysis is therefore necessary to fully understand the impact of retail on cities and vice versa.

Collecting all-encompassing data on retail and urban indicators is essential for understanding the interplay between retail SMEs, consumers, and city dynamics. In the United Kingdom, the Consumer Data Research Centre produced the "Retail Centre Boundaries", an openly available suite of data on the location, extent and function of retail agglomeration areas (Consumer Data Research Centre, 2024[132]). The datasets cover a large number of indicators, such as the spatial boundaries of commercial areas, catchment zones measuring accessibility by walking and driving, and retail typology of most cities of the country, taking into account the composition (e.g. presence of convenience stores, services, or leisure retail), diversity (to identify clone retail areas), and vacancy (including current vacancy rate, long-term vacancy rate and change in vacancy rate). Importantly, they have developed indicators regarding online exposure and e-resilience measures[7], to estimate impacts of online shopping on high streets across England, assessing the extent of vulnerability and whether it is spatially differentiated across the country. Amsterdam in the Netherlands, for instance, analyses spatial changes in the retail structure, but also in the consumer spending behaviours, considering many relevant indicators that can be considered, such as the number of stores, the sector composition, vacancy rates, rental levels and purchasing orientation of consumers. Brussels (Belgium) developed a comprehensive dashboard of data encompassing retail supply, demand, and city characteristics by systematising different data sources, which therefore provides a valuable source of knowledge to monitor linkages between the three dimensions of "firms", "people" and "places" (Box 4.14).

Box 4.14. Retail monitoring and evaluation in Brussels (Belgium)

Brussels (Belgium), through its public organisations hub.brussels and perspective.brussels, conducts annual retail observatories to monitor commercial activity and to better manage retail nodes in the city and across the region. Data is gathered at various levels, primarily at the "noyaux" (commercial district) level, although street-level analysis is possible when necessary. The process is led by an in-house R&D department, with a dedicated field team responsible for data collection and a research team conducting analysis. Retailers are categorised as "large" if they operate seven or more stores globally. Furthermore, they analyse types of retail activity with a mono-functionality index based on category, sector, nature as well as the commercial standing. The latter is the degree of the luxurious character of the points of sale, which in turn reflect the socio-economic characteristics of the clientele frequenting the neighbourhood, distinguishing between the high (photography, haberdashery) and low-standing (wasserette, phone stores) in each territory. This equally helps to see the spending power per neighbourhood density.

Four key datasets are collected:

- A full inventory of points of sale (POS), updated at least once a year since 2016, capturing location, type, and additional details such as payment methods.
- An inventory of public markets, conducted annually since 2019, documenting stand numbers, sizes, and types for each market day.
- Shopper surveys, covering 10-12 commercial districts per year (on a rotating 4 to 5-year cycle), to profile visitors' behaviours and motivations.
- Pedestrian flow data, historically gathered manually but now tracked continuously via sensors at 55-60 sites, with records available since 2022. Data is further enriched using urban planning geodata from perspective.brussels, as well as mobility data from parking.brussels and Bruxelles

Mobilité. The latter has used new and existing urban planning permits issued to commerce to analyse turnover and longevity of business SMEs. While hub.brussels does not automatically conduct impact studies on pedestrianised zones like Le Piétonnier, its historical data allows for comparative analysis of POS trends, pedestrian traffic, and shopper profiles before and after such changes. The collected data is publicly accessible through the Brussels retail data platform and published annually in a comprehensive report, with a target audience of potential business owners, as well as residents.

Source: hub.brussels, hub.brussels - Agence bruxelloise pour l'Entrepreneuriat.

Monitoring footfall accessibility and pedestrian flows in city centres is a key strategy for assessing urban vitality and supporting retail planning. One of the most used strategies for determining the dynamism of city centres is the monitoring of pedestrian flows. About half of the cities conduct footfall analysis in their city centres and beyond.[8] Retailers can use pedestrian traffic data to determine the best potential locations for new stores and understand peak traffic moments to determine opening hours (if not regulated). Such data can be collected manually – through research teams present on the spot, or in by integrating digital tools (i.e. cameras or sensors). For example:

- Poitiers (France) purchases external data (MyTraffic) to monitor monthly pedestrian flows and analyses visitor demographics, enabling a precise mapping of footfall per street. This data strengthens the case for city centre investment, in case of low footfall in a given area.
- Norwich (United Kingdom) monitors footfall as the number of people going into a shop or business, as not all footfall will result in purchase (Norwich Business Improvement District, 2022[133]).
- Stockholm (Sweden) measures activity at a granular density of movement (within 20 metres areas, on a street level) giving a very clear depiction of users' movement and footfall (Stockholm Chamber of Commerce, 2023[134]).
- Bilbao (Spain) monitors foot traffic in key commercial areas to understand consumer behaviour and the effects of pedestrianisation strategies.

Integrating indicators that monitor transport modes, mobility flows, and urban logistics is essential to supporting retail SMEs and improving accessibility in city centres. Shopping malls on the outskirts have caused large competition to retail in city centres and their success is linked to a high automobile accessibility and fast access from the suburbs and surrounding areas, further encouraging urban sprawl. Helping SMEs with the green transition encompasses the ways in which people access to points of sale. For retail SMEs in city centres to stay competitive, they need to stay accessible through diverse and convenient means of transport to meet diverse population needs, while shifting to greener mobility and encouraging public transit. For this reason, traffic data can be a telling indicator. Dublin (Ireland), through its "Retail Strategy for the Greater Dublin Area, 2008-2016" (RSGDA), analysed commuter modes of transport to the centre. Its focus lies on access to retail and supporting retail through transport options. The city aims to create "drop-points", ensure car park is maintained on the periphery of retail core, while improving the pedestrian environment within the retail core. It conducted an analysis of key routes from offices and culture clusters to main retail clusters of the city, to identify most used routes and further identified key retail centres and cores in the Greater Dublin area together with main access roads. This strategy allows for monitoring flows alongside missed opportunities in terms of diverting traffic or retail densification opportunities (Dublin Regional Authority and Mid-East Regional Authority, 2008[135]). Regarding mobility, retail SMEs are also changing their logistics in city centres. Local governments can help SMEs shift to greener mobility (delivery options) by proposing areas of improvement and identifying missed opportunities by data collection and analysis. For instance, Brussels (Belgium) estimates that 50% of deliveries in the city could be made with a cargo bike.

Measuring the diversity and uniqueness of commercial activities in city centres – along with the contribution of retail SMEs to cultural heritage – can help cities preserve local identity and foster sustainable development. Globalisation also enhances similarity of highstreets and commercial cores, with a small number of large chain retailers present in a majority of city cores in larger urban centres. In this environment, strengthening local identity by supporting local artisanal activities and SMEs showcasing historical architecture, traditions and cultural landmarks can foster a sense of place and pride, creating an environment that attracts both visitors and local communities. Additionally, stimulating the performance of local stores and production promotes sustainable development and favours shorter supply chains, a key strategy of the EU Proximity Economy (European Commission, 2024[35]). Moreover, cities might be faced with urban decay, especially of historical buildings. Revitalising heritage buildings enhances visual attractiveness and boosts renovation strategies, associated with a more sustainable use of resources. In consequence, some cities focus on data monitoring with a direct aim of preserving local SMEs and local heritage. For instance, Florence (Italy), in its project "Commerce for the liveability in the historic centre", determined "efficacy indicators" to measure the historic and traditional shops offer within its UNESCO World Heritage city centre. These indicators include the turnover rates (percentage of decrease in the number of openings of vicinity food and beverage shops); number of activities involved in the sale and serving of food and beverage and artisanal food-related businesses; number of commercial authorisations renewed; number of kiosks, newsstands and florists surveyed; or total number of traditional and historical activities (Municipality of Florence, 2022[136]). Similarly, Braga (Portugal) collects information on "Shops with history" and "Workshops with history" (based on self-application by retailers) aiming at showcasing the activity and supporting the preservation of establishments and entities recognised as of collective value, such as ceramics and pottery stores – an artisanal activity famously maintained in Portugal, but equally cafés present in historical buildings.

Supporting local governments in overcoming challenges of data collection, analysis and evaluation

National initiatives are essential in enabling local governments to address their M&E gaps and effectively foster thriving retail SMEs economies. The need for comprehensive M&E systems for city administrations to support SMEs and inform policymakers is critical, particularly to address larger, systemic challenges and emerging trends. Effective M&E allows policymakers to identify not only immediate retail challenges but also long-term trends and shifts in consumer behaviour, technological advancements, and economic disruptions (such as the rise of e-commerce or changing sustainability concerns). By understanding these larger trends, policymakers can design targeted interventions that help SMEs adapt to changing market conditions, such as providing digital tools, supporting skill development, or ensuring equitable access to resources. Furthermore, M&E can highlight regional disparities, enabling more tailored policies that support SMEs in areas with unique challenges. Ultimately, M&E systems can provide a robust foundation for both strategic decision making at the firm level and for designing public policies that foster long-term competitiveness, inclusivity, and resilience of retail in cities.

Leveraging digital tools is central to understanding the challenges of a given place and conducting assessment of policies. For instance, data from participation in training and digitalisation programmes is used to assess effectiveness and monitoring foot traffic is used to understand the effects of pedestrianisation strategies. Therefore, to overcome these challenges, leveraging digital tools (e.g. point-of-sale data, mobile data or sensors), specifically tailored to the local context, is crucial. For instance:

- In Bilbao (Spain), data from participation in training and digitalisation programmes are used to assess effectiveness and digital adoption rates (Entrepreneurship Programme Metrics).
- The city of Braga (Portugal) enhances the shopping and tourism experience through the creation of the website "Visit Braga" and an app "Braga Smartguide". Data analytics from website traffic and app usage can be of further value for monitoring and evaluation.

Engaging higher education institutions and other local stakeholders can enhance data collection and analysis capacity while fostering collaboration and transparency. Engaging existing local knowledge and entities (e.g. chambers of commerce, universities, research institutes, NGOs or private consultancies) can be an effective strategy, to delegate data collection and analysis, helping to alleviate capacity issues of local and national governments. It also fosters stronger relationships with local stakeholders, while increasing transparency. Several local governments are currently collaborating with existing entities to overcome data collection, analysis and evaluation constraints:

- **Engaging directly with retailers to identify challenges and barriers: Koper (Slovenia)** actively engages with business owners and entrepreneurs through direct outreach and scheduled meetings to understand their needs and barriers (e.g. financial constraints), specifically the digital barriers (i.e. lack of digital skills). This feedback allows to identify bottlenecks on the way to remaining competitive and sustaining long-term profitability.
- **Creating specific urban bodies in charge of boosting retail:** For instance, Norwich Business Improvement District (not-for-profit organisation) is a responsible body for retail and business districts improvements, engaging experts and local stakeholders. They are funded, managed and led by local businesses, to represent their needs and deliver a comprehensive programme of projects that benefit the city.
- **Collaborating with chambers of commerce:** The monitoring on the relationship between retail and behavioural patterns **in Stockholm (Sweden) has been conducted by Stockholm's Chamber of Commerce with data collected by Infostat specialised** in market analysis (Stockholm Chamber of Commerce, 2023[134]).
- **Collaborating with real estate actors**. For small retailers, access to affordable commercial spaces is a major concern. Analysing market rent growth for commercial spaces and their vacancy can be an indicator of their wellbeing, while also providing governments with evidence to justify rent or mortgage support measures. The municipal database of Poitiers (France), which tracks commercial vacancies, updates it in collaboration with local commercial real estate agents, which facilitates matchmaking between owners of vacant units and prospective entrepreneurs.

Case studies: Learning from national and local governments in Europe

England – Future High Streets and Town Deals – Creating structures for urban centre renewal through partnerships, expert bodies and co-funding models

What are the objectives?

Structural changes in the retail sector, particularly the growth of online retail and competition from out-of-town shopping centres, have posed significant challenges for England's High Streets and Town Centres. Specifically, urban centres have experienced reduced footfall and increased vacancy rates, issues further exacerbated by the COVID-19 pandemic. In 2019, the UK government developed the Towns Fund, a GBP 3.6 billion package of policy interventions to support retail in High Streets and Town Centres. This sought to address several issues in urban centres: physical and digital disconnection, outdated land use and built environment, insufficient skills and business support and a lack of strategic, local economic management. Three core interventions of the Towns Fund (GBP 3.6 billion) are examined below: Town Deals (GBP 2.6 billion), the Future High Streets Fund Allocations (FHSF – GBP 0.8 billion), and the High Streets Task Force (HSTF – GBP 10.7 million).

How does it work in practice?

Town Deals (TD)

Announced in 2021, TDs are a GBP 2.6 billion allocated fund which targets longer-term economic and productivity growth in 101 urban centres. Towns were encouraged to apply for funding of projects that address local challenges, and which cover one (or more) of the following themes:

- Urban regeneration, planning and land-use: Boost economic growth by increasing density in town centres and strengthening local economic assets
- Connectivity (transport and digital): local transport infrastructure and digital connectivity
- Improve skills and enterprise infrastructure: drive private sector investment and ensure towns can support skills and small business development

The Town Deal Boards are core to the TDs funding and set the overall vision and strategy for the local area. The Boards ensure that TD projects align with the broader urban renewal objectives of an area. The Boards must be comprised of a diverse range of local stakeholders including from the private sector and other local investors, the areas Member of Parliament (MP) and other local government officials, community and voluntary sector representatives. Over the course of a project the boards are responsible for developing the Town Investment Plan, signing off each stage of a Town's Investment Plan, overseeing project delivery through regular performance reviews and adjusting the projects if necessary to ensure alignment with strategic goals.

Future High Streets Fund Allocations (FHSF)

The Future High Streets Fund is part of the UK Government's GBP 3.6 billion Towns Fund which aims to renew and reshape high streets and town centres to improve user experience, drive growth and ensure long-term sustainability. In 2020, the FHSF allocated GBP 0.8 billion in funding for 72 places in England via a competitive bidding process. It aims to transform high streets and meet the changing needs of businesses and communities. The fund co-financed projects which fall into the following themes:

- Enhance physical infrastructure including housing, commercial spaces and public spaces
- Acquire land and vacant buildings to support mixed-use developments
- Improve transport access and connectivity including traffic flow and circulation in the area

- Support the adaptation of technological advancements in retail including with digital connectivity

High Streets Task Force (HSTF)

The High Streets Task Force (HSTF) was launched in July 2019 by the UK government as part of the broader High Streets strategy to revitalise town centres and address challenges faced by high streets due to changing consumer behaviour. With an initial GBP 10.7 million budget over five years, the Task Force aimed to provide expert guidance, training, data, and tools to local authorities and place leaders, helping them build capacity for high street regeneration (Public Accounts Committee, 2023[137]). Delivered by a consortium of 13 organisations, including the Institute of Place Management (IPM), professional bodies, and data partners, the HSTF focused on placemaking skills, stakeholder collaboration, and evidence-based decision making. Over its duration, it directly supported 151 town centres, trained 1 000+ place leaders, facilitated 50+ workshops, and engaged a network of 150 experts, offering hands-on guidance and strategic planning support. The Task Force played a crucial role in COVID-19 recovery efforts, advising on safe reopening and adaptation strategies. High street revitalisation efforts also focused on event programming, improving public spaces, and supporting business adaptation. Housing-led developments include curated cultural and leisure offers, sometimes subsidised by housing developers to help businesses establish themselves. In parallel, regulatory changes allow cities to designate core commercial areas for protection while facilitating residential conversions elsewhere. By 2024, the HSTF programme had enhanced local economic resilience, improved governance of high streets, and influenced national policy, leaving a legacy of strengthened expertise and best-practice frameworks for high street transformation.

What has the impact been?

A 2024 early process evaluation of the Towns Fund found that strategic design and local engagement have been key elements to success:

- Effective partnerships between local authorities and stakeholders ensured that projects aligned with broader local priorities, ensuring alignment with housing, transport, and sustainability goals. Town Deal Boards played a crucial role, bringing together representatives from diverse sectors to build consensus on funding allocations.
- Inclusive decision-making processes, facilitated by Town Deal Boards and Future High Streets Task Forces, fostered local ownership and consensus on regeneration priorities.
- The fund offered flexibility to focus on land use, transport, or digital upgrades allowing urban centres to address specific local needs.
- While monitoring mechanisms were in place, the evaluation stressed the need for long-term tracking of outcomes to assess the sustainability of investments.

What can other cities learn from this example?

Foster collaboration between the private sector, public sector and community groups

Effective regeneration requires partnerships between local governments, businesses, and community stakeholders. The establishment of inclusive governance structures, such as England's High Streets Taskforce and Town Deal Boards, can help cities ensure that revitalisation efforts meet diverse needs and secure broad support.

Tailor solutions to local contexts

Recognising that no two cities face identical challenges, England's approach highlights the value of adaptable funding that can meet the needs of a specific area. Urban centre revitalisation support could

consider policies that allow for flexibility in prioritising digital infrastructure, transport, or energy efficiency, depending on local conditions.

Invest in capacity building

Alongside the specific revitalisation funding, providing technical support, training, and evidence-based tools to local authorities can improve the success of urban regeneration initiatives. The role of England's High Streets Task Force offers a replicable model for other cities.

France – Action Cœur de Ville – A programme to lead global action to revitalise the heart of medium-sized cities

What are the objectives?

Launched in 2018 and extended until 2026, the Action Cœur de Ville (ACV) programme is a national initiative designed to address urban decline in 245 medium-sized cities across France. Led by the National Agency for Territorial Cohesion (ANCT), the programme takes a comprehensive and integrated approach to revitalising city centres by tackling multiple urban challenges simultaneously, including vacant and deteriorated housing, heritage conservation, commercial revitalisation, and the enhancement of public spaces, all while aiming to curb urban sprawl.

The programme is built on **three core principles**:

- A holistic territorial strategy that considers all key dimensions of urban regeneration, from housing and public space improvement to commercial revitalisation.
- A multi-stakeholder approach leveraging contributions from key public institutions, including Action Logement (social housing), the National Agency for Housing Improvement (ANAH) (housing retrofit and degraded housing rehabilitation), and the Banque des Territoires (investment in local economic development).
- Direct financial and technical support from the French government to empower local authorities, enabling them to implement tailored city-centre regeneration strategies.

How does it work in practice?

The French government, through the National Agency for Territorial Cohesion (ANCT), provides a combination of financial aid, technical expertise, and capacity-building support to local governments. This includes:

Funding

The total programme budget amounts to approximately EUR 10 billion over eight years, pooling resources from multiple public institutions to ensure a coordinated approach to city-centre revitalisation.

Technical assistance

Each participating city benefits from the support of a dedicated project manager responsible for the local implementation of ACV initiatives. Cities are also assisted by a city centre manager, funded through the national recovery plan, who acts as an intermediary between local authorities and retail SMEs, facilitating the redevelopment and reoccupation of vacant commercial spaces. In addition, the *My Shop 2030* (*Mon Commerce 2030*) initiative provides cities with access to expert-led territorial diagnostics and strategic planning studies aimed at optimising the local commercial landscape and strengthening retail dynamics. These efforts are complemented by a structured knowledge-sharing community, including training programmes and the establishment of a Commerce Managers' Club Association, which promotes peer learning and the dissemination of best practices across cities. Finally, the ANCT actively monitors retail vacancy rates to track changes in commercial activity and assess the evolution of city-centre dynamics over time.

Commercial revitalisation through real estate interventions

In partnership with the Banque des Territoires, around 100 commercial revitalisation real estate entities have been created, enabling cities to acquire, renovate, and repurpose commercial properties. These

properties are then either rented to entrepreneurs at below-market rates or reintroduced into the private market to stimulate economic activity.

Fiscal and Regulatory Tools

Targeted fiscal and regulatory measures have been implemented to encourage commercial property rehabilitation, including:

- Taxation on commercial wastelands to incentivise property owners to sell or redevelop vacant spaces.
- Urban planning regulations that define priority commercial development zones to guide investment decisions.
- The right of pre-emption on commercial leases, allowing local authorities to influence property use in strategic locations.

The "Territorial Revitalisation Operation" (*Opération de revitalisation du territoire* – ORT) framework has been introduced in all ACV cities, defining a legally designated perimeter where specific fiscal and regulatory incentives apply, such as:

- Exemptions from Commercial Development Authorisation (*Autorisation de développement commerciale*) to facilitate new retail openings in city centres.
- The ability of local authorities to oppose CDAs for out-of-town retail developments that could undermine city-centre businesses.

Related Programmes

The *"Entrées de Ville"* ("*City entrance corridors*") programme expands the scope of *Action Cœur de Ville* by targeting the redevelopment of peripheral commercial zones in 130 cities. It aims to promote more efficient land use and land conservation, improve urban design and landscape quality, and adapt these areas to evolving retail models and consumption patterns.

In parallel, the Green Fund, established under the national recovery plan, supports the ecological transition of urban centres by financing projects that mitigate urban heat islands, increase urban greenery and enhance the overall city-centre experience for residents and consumers. To date, the fund has supported projects totalling more than EUR 4 million across 220 municipalities.

What has the impact been?

The ACV programme has actively monitored **key performance indicators** to assess its effectiveness since 2018.

Financial impact:

- EUR 10 billion invested in revitalisation efforts.
- EUR 25 million allocated to renovate or create 251 commercial premises.
- 529 commercial premises acquired and refurbished through dedicated real estate structures.
- 30 000 housing units purchased for rehabilitation.
- 260 000 housing units renovated through energy retrofit subsidies.

Key indicators of urban revitalisation:

- Commercial vacancy rate: 12.1% in 2024, down from 13% in 2020.
- Housing vacancy rate: Stable at around 4.7% since 2022.

- Resident attachment to city centres: 70% of ACV residents report feeling connected to their city centre, compared to 60% in 2020.

What can other cities learn from this example?

The Action Cœur de Ville programme demonstrates the effectiveness of a comprehensive, multi-stakeholder approach to city-centre regeneration.

Adopt a comprehensive, place-based strategy for city-centre revitalisation

The success of the *Action Cœur de Ville* (ACV) programme largely stems from its multi-dimensional approach, which simultaneously tackles housing, commercial activity, urban design and the enhancement of public spaces. Building on this experience, cities could develop integrated territorial strategies that not only support economic activity but also strengthen residential attractiveness, helping to ensure a balanced and resilient urban ecosystem.

Mobilise a mix of financial, technical, and regulatory tools

A key innovation of ACV has been the creation of commercial revitalisation real estate entities, which enable cities to acquire, renovate and lease commercial premises at below-market rates to support priority retail activities. Fiscal instruments, such as taxes on commercial wastelands, can further discourage prolonged vacancy and incentivise property owners to reinvest. These measures can be complemented by regulatory tools, including rights of pre-emption on commercial leases, allowing local authorities to better steer retail development towards strategic locations. Urban planning instruments can also be used to limit commercial expansion in peri-urban areas that may undermine the vitality of city centres.

Provide tailored technical assistance to local authorities

While direct funding is necessary, it is often insufficient on its own; cities also require access to technical expertise, guidance and knowledge-sharing platforms to design, implement and scale effective regeneration policies.

Leverage data to monitor and adapt revitalisation strategies

Finally, leveraging data to monitor and adapt revitalisation strategies is key to ensuring long-term effectiveness. ACV systematically tracks both commercial and residential vacancy rates to assess the impact of its interventions. Building on this approach, cities could establish clear and measurable performance indicators – such as retail vacancy rates, footfall trends and resident sentiment – to continuously refine their policies based on timely and evidence-based insights.

Ireland – Towns Centre First – An empowered, inclusive, community-led approach to tackle vacancy and promote economic vibrancy in Irish towns

What are the objectives?

Launched in February 2022, the Town Centre First (TCF) policy is built on a cross-government initiative, developed by Ireland's Department of Rural and Community Development (DRCD) and the Department of Housing, Local Government and Heritage (DHLGH). It builds on the 2018 Town Centre Living Pilot Initiative, which explored strategies to address vacancy and encourage residential and economic activity in six pilot towns.

The Town Centre First (TCF) policy aims to tackle vacancy and combat urban dereliction by promoting experience-led retail and supporting the regeneration of public spaces. It also seeks to encourage more people to live and work in town centres, notably by leveraging digital transformation and supporting new ways of working and living. In addition, the policy supports the sustainable regeneration of towns by addressing challenges related to climate change mitigation and adaptation, sustainable mobility, demographic change and the diversification of housing options. Finally, TCF is designed to align closely with Ireland's broader spatial and sectoral strategies, including Project Ireland 2040 – National Planning Framework, Housing for All and Our Rural Future, ensuring policy coherence across levels of government and policy domains.

The TCF contains 33 actions to achieve national objectives including social and economic revival, housing provision, environmental protection and the development of heritage in Ireland's towns.

How does it work in practice?

Phased implementation

Phase 1 – 2021: In December 2021, EUR 2.6 million in funding was allocated to 26 towns nominated by Local Authorities to develop Town Centre First Plans.

Phase 2 – 2024: A second phase started in February 2024, involving 26 additional towns and villages. Each place received EUR 30 000 to prepare a Town Centre First Plan, with completion expected by mid-2025.

Community engagement and support structures

- Town Teams: Comprising local community and business representatives, these teams are responsible for developing and implementing the TCF plans.
- Town Regeneration Officers (TROs): Dedicated officers appointed within Local Authorities to support Town Teams and drive the implementation of TCF policies at the local level.
- National Town Centre First Office: Established to co-ordinate the TCF initiative nationally, providing guidance, resources, and oversight.

Funding and resources

In February 2024, a Suite of Supports Fund worth EUR 4.5 million was launched, comprising:

- Town Team Support Fund: Up to EUR 10 000 each for three towns per Local Authority to establish or develop Town Teams.
- Town Centre First Plan Funding: EUR 30 000 per Local Authority to support the development of TCF plans.

- Project Development Measures: Up to EUR 50 000 each to support two projects per Local Authority, with an additional third EUR 50 000 application available for the Region in Transition: North-West Counties.

Additional funding streams aligned with TCF include the Rural Regeneration and Development Fund (RRDF), Urban Regeneration and Development Fund (URDF), Croí Cónaithe (Towns) Fund, and the Town and Village Renewal Scheme.

The Digital Town Blueprint

A cornerstone of TCF policy is the integration of digital strategies through the Digital Town Blueprint. This framework assists town leaders and policymakers involved in TCF by embedding digital programmes and action plans grounded in empirical data. Digital towns are defined as those that adopts and integrate information and communications technologies across aspects of town life. The Digital Town Readiness Framework is used to evaluate a town's digital capabilities across eight dimensions including connectivity, digital public services and digital economy. Towns assess their readiness on a scale from 1 (non-existent) to 5 (leading), facilitating targeted digital action plans that address specific strengths and weaknesses. This approach enables towns to make informed decisions, optimise resource allocation, and enhance their digital infrastructure and services.

What has the impact been?

Outcomes from Phase 1, highlight strong engagement and planning development:

- 25 finalised Town Centre First Plans
- 344 Town Team members engaged
- 630 public engagement events conducted
- 7 595 citizen responses collected
- 749 projects identified for implementation

Phase 2 is now underway and builds on the learning from the Pilot Phase including Town engagements. Phase 2 also integrates Digital Blueprints and expanding associated funding streams – the THRIVE Scheme and with strengthened involvement of large urban centres.

What can other cities learn from this example?

Community-led development and collaborative governance

Key to the success of the programme is unique Town Centre Plans reflecting the unique needs and aspirations of each community. These plans are underpinned by national and supra-national (Irish and EU) strategies and funding streams that support local decisions, allowing for effective holistic, community-driven town regeneration

Integrated physical revitalisation with digital transformation into planning

To create resilient, future-ready towns a combination of improvements to physical spaces and infrastructure alongside digital programmes like the Digital Town Blueprint is key to future-proof town revitalisation and support local economies

Data-informed development

Underpinning decision making with requirements for data measurement, digitalisation skills using outcomes from the Digital Town Blueprint facilitates evidence-based policymaking in towns.

Canada – My Main Street – A national platform to sustain inclusive local business growth and promote vibrant community-centred public spaces

What are the objectives?

Main streets are key locations for Canada's small businesses, which make up over a third of national GDP generated by the private sector. Providing 1.9 million jobs nation-wide, about a fifth of small brick-and-mortar businesses are located on Canadian main streets. In 2020, independent businesses represented 75-80% of total Toronto's main street establishments. As long-standing and new challenges of location affordability, clientele mobility and shopping habits, and changing business property ownership models exacerbated by the COVID-19 pandemic have shaken the vitality of main street communities, Canada's My Main Street programme aims to preserve and renew their legacy as community meeting grounds and hubs of local entrepreneurship.

Kickstarted in 2021 by an initial investment of CAD 23 million from the Government of Canada and delivered through the Federal Economic Development Agency for Southern Ontario (FedDev Ontario), My Main Street programme provides assistance to main street communities and businesses across Southern Ontario for revitalisation, recovery and stabilisation efforts from pandemic-related shocks[9]. Renewed in 2024 by a federal investment totalling CAD 15 million, the programme extended its focus to direct-to-business and community supports to sustain inclusive local business growth and promote vibrant community-centred public spaces.

How does it work in practice?

Delivered through FedDev Ontario, the first round of the My Main Street programme was administered in partnership with the Canadian Urban Institute (CUI)[10] and the Economic Developers Council of Ontario (EDCO)[11] through two streams respectively targeting business support and placemaking during the 2021-2023 period. The Economic Developers Council of Ontario led the "Local Business Accelerator Program" which focused on main street community revitalisation initiatives and direct business grants complemented by market research and business support services. During the second iteration of My Main Street in 2024,[12] this first stream became the "Business Sustainability" stream, doubling the initial CAD 10 000 direct contribution amounts to five existing and five new businesses (to be created with programme support) in participating communities. For example, the initiative supported the restoration and beautification of Little Italy's main commercial strip in Ottawa, boosting the dynamism of the area prompted by a local cultural festival.

The "Community Activator Program" stream overseen by the Canadian Urban Institute across both programme rounds aims to support economic activity on main streets by funding placemaking projects piloted by non-profit organisations, Business Improvement Associations, and municipalities to attract visitors and increase foot traffic. Prioritising projects with commercial and community importance aiming to minimise barriers to participation for equity-seeking[13] groups, the 2024 programme structure provides incentives up to CAD 250 000 through reimbursements for a wide range of events and activations, community enhancements and streetscape improvements. In 2022-2023, the stream delivered CAD 10 million to placemaking initiatives such as local community events and activities as well as main street enhancements through one-time contributions ranging from CAD 25 000 up to CAD 250 000. For example, the initiative supported the restoration, beautification and animation of the city of Ottawa's Little Italy commercial district streetscape.

Throughout 2022 and 2023, the "Local Business Accelerator" programme components were administered through the appointment of Main Street Ambassadors in participating main street communities. Up to six[14] Ambassadors with entrepreneurial aptitudes and backgrounds were locally hired based on the size of each municipality to conduct free business-support consultations with small businesses along their assigned main street and support those applying for direct financial support from the programme. Ambassadors were also tasked with completing their main street(s) Community Market Profile(s), identifying missing

products and services from the community and understanding local demographics, mobility, and consumptions habits through primary and secondary market research. To address localised needs and opportunities for programme participants, My Main Street obtains census information from Statistics Canada and partners with a data, analytics, and marketing services firm for proprietary licensed marketing data. In My Main Street's second iteration, approved applicants in both programme streams receive data insights from a Market Research Report for their community, in consultation with the Canadian Urban Institutes' Portfolio Managers.

What has the impact been?

From the initial target of 150 projects in 65 main street communities, 170 initiatives across 88 towns and cities were supported by the Community Activator stream in 2022 and 2023. One of these is the main street community in downtown Kitchener, a 285 000-inhabitant midsize city in Southeastern Ontario. A placemaking ice rink project in the city centre's marketplace in 2021 benefitted 110 local businesses inside and adjacent to the Market and drew in the participation of fifty new local small businesses in its winter programming. Furthermore, insights from the Canadian Urban Institute found that the Kitchener BIA patio programme supported by My Main Street generated a 3.4 return on investment, with CAD 3.2 million, which amounts to 9% of a total CAD 37 million of credit and bank card sales over the 2021 and 2022 summer months. The patio initiative has since become a hallmark of Kitchener's warmer months, with the Downtown Kitchener BIA funding the programme and the city streamlining administrative processes to facilitate business participation. The additional space helps businesses expand their capacity, while community patios further enhance the overall appeal of public spaces, attracting more visitors to the city centre.

On the business support side, the programme equips business owners with in-depth, customised local market research insights to gain an understanding of their customer base's general market behaviour, demographics, and media communication and consumption habits. With these insights, programme beneficiaries have been able to fill existing market gaps and develop an online presence through advertising, social media, and by bringing part of their inventory online. In the first programme round, these insights also benefitted localities at the municipal level as trade area mobility data was used by historically tourism-driven small-town communities such as Stratford and Wiarton to diversify their main streets' offerings and capitalise on changing local shopping patterns brought about by population shifts towards rural communities as a result of the pandemic.

What can other cities learn from this example?

Regional focus, local support

The programme shows how federal investment can support main streets and the small businesses that locate there by enabling tailored, data-driven local action that combines business support, placemaking, and capacity building. Through a data-driven approach and on-the-ground main street ambassadors, the programme can address hyper local realities and challenges. Mobilising granular insights mediated by programme agents from strong data partners operating at a broad scale, communities and businesses alike can operationalise concrete strategies according to their needs and unique opportunities. By dedicating a substantive portion of its resources (25%) to rural communities, it also to aspires for a more equitable geographic reach across diverse local contexts.

The value of a holistic scope

By approaching retail and community infrastructure as interlinked components of local vitality, the programme supports both economic activity and the social fabric of main streets. This integrated perspective strengthens local entrepreneurship and initiatives with bottom-up buy-in, helping to sustain their impact over time.

Braga, Portugal – Digital neighbourhoods redesign how retail SMEs work in the city

What are the objectives?

As part of a national programme funded by the European Union, the City of Braga (Portugal) launched the "Braga Smart Retail" initiative in 2024, committing over EUR 1.5 million to accelerate the digitalisation of more than 900 local retail businesses. Initially designed during the COVID-19 pandemic to support food delivery services, the programme has since evolved to address structural challenges facing local retailers. These include heightened competition from e-commerce platforms, shifts in consumer behaviour exacerbated by the pandemic, and the increasing presence of multinational brands in the local retail market.

The initiative aims to strengthen the digital capabilities of small and medium-sized enterprises (SMEs) in the retail sector, integrate commerce, tourism, and services into a cohesive digital ecosystem, and equip entrepreneurs and employees with the necessary skills for digital transformation. Its strategic goals include:

- Positioning Braga as a premier shopping destination in the Northern Euroregion (Portugal-Galicia) and a key player in the Iberian retail landscape.
- Enhancing Braga's attractiveness as a historical and cultural hub for living, tourism, and investment.
- Improving urban accessibility and business competitiveness through digital transformation, leveraging advanced technological infrastructure.
- Creating an integrated and seamless consumer experience - both online and offline - by aligning the city's commercial, cultural, and tourism offerings.

How does it work in practice?

The City of Braga has adopted a comprehensive digital strategy to enhance the competitiveness of local retail SMEs. This approach addresses multiple dimensions of digitalisation, customer experience, urban logistics, and data-driven decision making.

Enhancing digital infrastructure to support retail SMEs

Rather than investing in entirely new digital infrastructure, Braga is optimising and expanding its existing Wi-Fi network to provide cost-effective, high-coverage connectivity for retailers and customers.

A new digital platform, "Visit Braga," comprising a website, mobile application, and online marketplace, has been launched to increase visibility for local businesses and promote Braga as a tourist destination.

Improving the digital consumer experience

The introduction of the "Braga Smartguide" app, directly integrated with Google Maps, enhances the visitor experience by offering real-time navigation and shopping recommendations.

Augmented reality (AR) features have been implemented in select retail stores, creating immersive and engaging shopping experiences for both tourists and local consumers.

Developing efficient and sustainable urban logistics

New urban logistics solutions, including smart delivery lockers and bike delivery services, have been introduced to facilitate click-and-collect services and reduce the environmental impact of urban freight transport.

The initiative aligns digital transformation with green mobility objectives, contributing to more sustainable last-mile delivery solutions.

Leveraging data-driven intelligence for business growth

A centralised data platform aggregates insights from street sensors, mobile network data, and municipal systems.

Businesses have access to dashboards displaying footfall patterns, consumer demographics, and purchasing behaviours, enabling data-informed marketing strategies and operational decisions.

What has the impact been?

The "Braga Smart Retail" initiative has significantly enhanced the digital visibility of local businesses, equipping retailers with the tools to navigate and leverage digital technologies effectively.

The data collection system implemented by the municipality has provided a detailed analysis of city-centre foot traffic, contributing to more targeted urban and economic policies. In 2024, Braga recorded its highest visitor numbers to date, surpassing 80 000 tourists. The increased tourist influx has directly benefited local businesses, reinforcing the city's retail and service sectors.

What can other cities learn from this example?

Develop a holistic digital strategy

Braga's approach demonstrates that digitalisation in the retail sector should extend beyond individual businesses to encompass the wider urban ecosystem. By integrating tourism, culture, and commerce into a unified strategy, cities can enhance their attractiveness and economic resilience.

By leveraging augmented reality, mobile applications, and interactive tools, Braga has improved the consumer experience both online and in physical stores. Other cities can adopt similar strategies to revitalise retail districts and enhance their global appeal.

Invest in data collection and centralisation

A key factor in Braga’s success has been the ability to collect and analyse urban and consumer data. Cities could implement similar initiatives that allow retailers and policymakers to access, interpret, and act upon strategic insights.

Align digital and environmental transitions

Braga has demonstrated that digitalisation can be harnessed to address environmental challenges, particularly in urban logistics. The implementation of sustainable last-mile delivery solutions highlights how cities can reduce carbon footprints while supporting retail SMEs competitiveness.

Koper, Slovenia – Providing affordable premises and innovative planning solutions to enable retail SMEs to compete with digital and out of town outlets

What are the objectives?

Koper is a strategically significant port city in Slovenia, with an economy largely driven by tourism and port-related industries. The city has a population of approximately 55 000 residents and attracts a substantial number of visitors annually, including 70 000 cruise ship passengers alone. However, by 2010, the combined effects of suburbanisation and the proliferation of out-of-town shopping centres had led to a decline in footfall and economic stagnation in the historic city centre. To counter this trend, the municipality has prioritised engagement with local entrepreneurs, introducing targeted interventions to foster business development, including through the appointment of a city centre manager.

In response to growing competitive pressures from e-commerce and large-scale retail developments outside the city, Koper has implemented a suite of policy measures aimed at revitalising its local retail ecosystem. These include rent subsidies for businesses operating in municipally owned premises, with a particular focus on those catering to local needs, such as clothing retailers and household goods stores, rather than those primarily targeting tourists. Additionally, the city is actively supporting the establishment of temporary “pop-up” retail spaces to lower barriers to entry for new businesses and stimulate consumer engagement within the city centre. These initiatives form part of a broader strategy to enhance the economic resilience of Koper’s retail sector while reinforcing the city’s attractiveness as a commercial and social hub and aiming more specifically at:

- **Revitalising the city centre retail sector** by addressing declining footfall and economic stagnation
- **Enhancing the competitiveness of local retailers** in the face of e-commerce and out-of-town shopping centres
- **Prioritising businesses that serve local needs** to create a more sustainable and resilient commercial ecosystem
- **Fostering a vibrant urban environment** that strengthens Koper’s identity as a dynamic economic and social hub

How does it work in practice?

Policies to support retail SMEs in Koper

Subsidised commercial rents: the city owns some city centre commercial premises which they offer at a 30% discount to retailers which serve specific needs of the local population (clothes shop, technical tool shops, bakeries). Actively pivoting away from a tourism-focused retail development, which led to the proliferation of souvenir shops that did not serve local needs.

Restricting conversion of buildings to residential use in the city centre: implementing regulation preventing the ground floor of commercial buildings within the city centre from being converted into residential use.

Pop-up shops: the municipality organises and facilitates the launch of pop-up shops. After identifying vacant properties in streets that they want to regenerate, the municipality rents these premises from their owners, making them available at no cost to the retailers, who only have to pay for the cost of utilities.

Upskilling local businesses: Inova tour provides education programmes for entrepreneurs looking to learn how to find customers, digital marketing and new product development. This is provided through workshops, training sessions and personalised guidance. Also includes a competition for the best new

solution for improving the tourism offer in Koper. The first two years of the programme focused on tourism enterprises specifically but will now be enlarged to focus on the broader business community in Koper.

Policies to boost Koper's urban retail environment

City centre parking: city centre parking lots renovated two years ago, with free parking for one hour available. Future policy is expected to expand this offer for up to 2-3 hours for those who have made a purchase in the city centre.

Park and ride: On-demand shuttle available for visitors to the city centre. Users can stop it anywhere on the street and get off at the place that is most convenient for them.

KoperCard plus: A contactless payment option which can be used for paying for public transport as well as providing discounts for local retailers, attractions, dining or guided tours.

What has the impact been?

A focus on tourism has resulted in higher city centre footfall but also reduced the retail options for local residents and may have driven the conversion of retail premises into short-term accommodation.

Subsidised pop-up shops have successfully revitalised high-vacancy rate streets, with successful retail businesses requesting to take over permanent leases in previously vacant properties.

What can other cities learn from this example?

Evaluate and adapt city centre regeneration strategies

Koper initially pursued a tourism-led regeneration approach, aiming to boost footfall by increasing cruise ship arrivals. While this strategy successfully attracted visitors, it also resulted in an overconcentration of souvenir shops and retail outlets catering primarily to tourists, without meeting the everyday needs of local residents. Recognising this limitation, Koper has since recalibrated its approach to prioritise local economic resilience. The city now incentivises businesses that serve the local population, such as clothing retailers, technical tool shops, and bakeries, by offering subsidised commercial rents in municipally owned properties.

Understand the appeal of out-of-town retail and compete strategically

One of the primary advantages of out-of-town retail developments is their accessibility and convenience, particularly for consumers travelling by car from suburban and peri-urban areas. Acknowledging this competitive pressure, Koper authorities have taken proactive steps to enhance city centre accessibility. In 2022, the city renovated its central car parks and introduced an initiative offering one hour of free parking, with plans to extend this to two or three hours for visitors who make purchases in city centre shops. Furthermore, Koper has expanded park-and-ride facilities outside the urban core, complementing these with a free, on-demand electric shuttle service to improve connectivity and encourage greater footfall.

Cork, Ireland – Supporting retail SMEs green and digital transition through expert advice and tailored grant funding

What are the objectives?

Cork, Ireland's second-largest city, has a historic city centre that serves as a cultural and economic hub for the region. Facing challenges from competition with larger retail chains and the rise of e-commerce, the city has prioritised supporting small retailers with their digital and green transitions through expert consultants and tailored grant funding.

To support these goals, Cork City Council, in collaboration with the Local Enterprise Office (LEO), has introduced targeted initiatives to help retail SMEs with their green and digital transitions. Since 2021, this has included distributing Green Energy Efficiency Grants, a national scheme available to businesses with 1 to 50 employees, offering financial support for energy-efficient improvements such as smart energy controls and renewable energy adoption. Since 2015, digital support has been available through funding to support SMEs trading online and other enhancements to digital systems. These policies aim to reduce operational costs, improve environmental sustainability, and strengthen Cork's retail sector's competitiveness in a rapidly changing market landscape.

How does it work in practice?

Energy efficiency grant

Launched in 2021, the Energy Efficiency Grant supports small businesses with fewer than 50 employees by providing funding to invest in energy-efficient technologies and equipment. Coming out of a context of reduced COVID-19 support, eligible businesses could initially receive up to EUR 5 000 towards the costs of energy-saving measures, with the requirement of a 50% of costs to be covered by the business. From 2024, the maximum grant was raised to EUR 10 000 and the contribution from business reduced to 25%.

A two-step approach is taken by businesses receiving the grant. First, a consultant assists businesses to conduct an energy audit to identify potential improvements. Then, the consultant provides personalised recommendations for how businesses can improve their energy efficiency and the options for receiving grant funding, for example through LED lighting or energy-efficient heating systems.

Digital for Business Scheme

Launched in 2022, the scheme provides expert consultancy to help businesses analyse and enhance their digital systems, aiming to improve efficiency and competitiveness. Funding of up to EUR 5 000 is provided for businesses for tools such as specialist software or digital marketing strategies.

Participating SMEs receive personalised consultations to assess their current digital capabilities. Consultants recommend and assist in implementing digital tools and strategies tailored to their needs.

Trading Online Voucher Scheme

Running from 2015-2024, the scheme offered financial assistance to small businesses for them to develop or enhance their trading capabilities. A grant of up to EUR 2 500 with a 50% of eligible costs covered. The grant could be used to support activities including website development, e-commerce platform integration and online advertising.

Key to the uptake of all schemes in Cork, is raising awareness for eligible businesses that the support is available. The city's Local Enterprise Office (LEO) do this through lunch and learn sessions, collaboration with the Cork Business Association, and directly approaching businesses in the city centre to inform them about the benefits of the scheme. Working with experts in Cork Technical College, the LEO has been able

to create tailored information campaigns for the Energy Efficiency Grants, adapted to specific industries highlighting the way in which the funding can be used to cut their business costs.

Eligible businesses could submit applications detailing proposed digital projects. Once approved, funding could be received to enhance their online presence, including through e-commerce functionalities and digital marketing campaign. Although launched in 2015, Cork city found that the pandemic significantly increased uptake of the scheme which rose around ten-fold in 2020.

What has the impact been?

Energy-efficient upgrades have resulted in reduced utility bills for businesses, improving overall profitability. Following the increase in the funding available and the larger share covered by government, Cork's LEO has seen an uptick in applications and greater interest in the scheme. The impacts of these improvements also feed into Cork's wider environmental goals associated with its ambition to be carbon neutral by 2030. The digital initiatives have supported the adoption of digital technologies by Cork's retailers, enabling them to reach a larger customer base and offering vital support during the Covid pandemic.

What can other cities learn from this example?

Combining funding with expertise for greater impact

A key lesson from Cork has been the effectiveness of pairing financial support with expert consultancy. Providing grants alongside professional guidance helps retail SMEs access the resources needed for improvements but also understand how to effectively implement them. The combined approach ensures funds are used strategically, maximising impact.

Leverage specific expertise and evidence to drive engagement

Experience in Cork has shown businesses responded more positively to taking up energy efficiency grants when expertise was both targeted to their sector and backed by evidence of previous success. In Cork, collaborations with institutions like the Technical University helped design sector-specific campaigns with clear, actionable results such as specific cost savings associated with a fridge upgrade in a food retailer. Demonstrating credentials and past successes, has been important to building credibility and encouraging greater SME participation.

Poitiers, France – Revitalising a historic city centre with a data-driven and sustainable approach to urban commerce

What are the objectives?

Poitiers, a mid-sized city in western France with approximately 90 000 residents, faces unique urban and commercial challenges due to its historic city centre, situated on a hill with narrow streets limiting vehicle accessibility. Following an extensive pedestrianisation initiative in the late 2000s, the city centre has transformed into an open-air shopping district, structured around two main commercial streets connecting two retail squares, encompassing over 700 retail units. While commercial vacancy in Poitiers remains controlled at 7-8%, significantly below the 12% average observed in other mid-sized cities participating in the Action Cœur de Ville programme, the city contends with several economic and commercial challenges, including:

- A predominance of food-based businesses and fast-food outlets, limiting retail diversity.
- Shortened business lifespans post-COVID, reflecting economic uncertainty and changing consumer habits.
- Competition from large shopping centres on the city's periphery, attracting consumer spending away from the city centre.

Despite these challenges, Poitiers benefits from a strong local economy dominated by the public sector, with the university hospital, the municipality, and the university serving as the largest employers. Furthermore, with 30 000 students, Poitiers boasts the highest student-to-population ratio in France, offering unique commercial opportunities.

How does it work in practice?

City centre commercial revitalisation

- A "pop-up shop" programme enables entrepreneurs to test retail concepts in a municipality-owned commercial unit under short-term, below-market leases (typically one to three months), where retailers pay only service charges (10-20% of market rent).
- Collaboration with local commercial real estate agencies facilitates matchmaking between owners of vacant units and prospective entrepreneurs.
- The ongoing renovation and repurposing of the central market hall aims to create a more diverse commercial destination, integrating more restaurants to attract visitors throughout the week.

Increasing city centre animation

- Financial and logistical support for local festivals and events – such as a responsible fashion festival, basketball championships, and the Urban Trail – to enhance city centre attractiveness.
- Post-COVID, the municipality doubled permitted terrace spaces for cafés and restaurants, increasing footfall.

Digital transition support

- Training sessions and workshops provided local retailers with digital skills in customer relationship management (CRM), website development, and social media marketing.
- The municipality established a network of trusted digital professionals, offering tailored support for retailers.

Green transition and logistics

- Poitiers is developing a cyclo-logistics hub for sustainable deliveries in the city centre. However, finding suitable locations and accommodating the city's hilly terrain remain key challenges. The initiative draws inspiration from La Rochelle, a city that has successfully implemented similar measures.

Data-driven decision making

- The city purchases external data (MyTraffic) to monitor pedestrian flows and analyse visitor demographics, enabling a precise mapping of footfall per street. This data strengthens the case for city centre investment.
- A municipal database tracks commercial vacancies, updated in collaboration with local commercial real estate agencies.

What has the impact been?

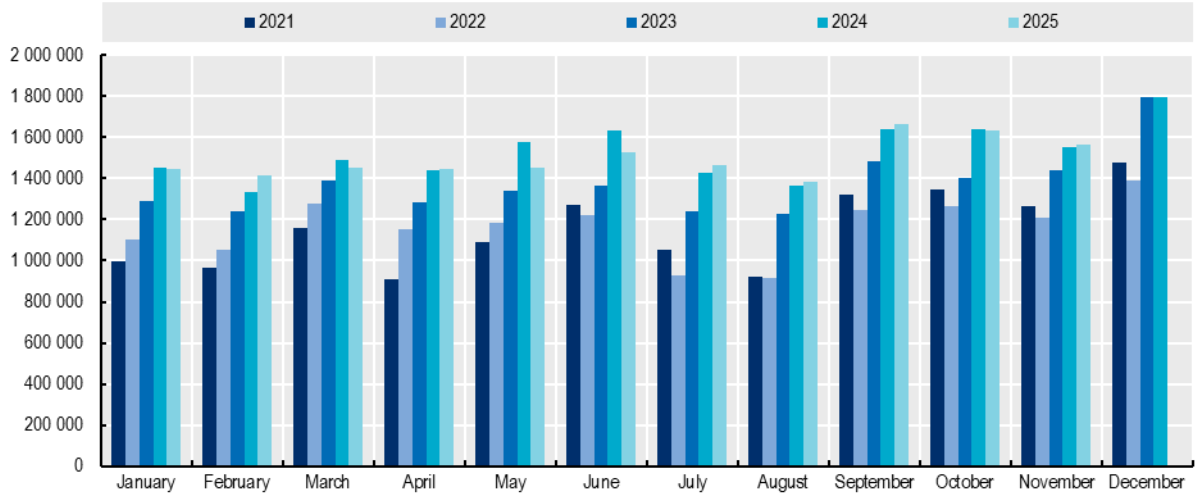
Enabling retailers to establish long-term businesses

Since 2020, the city-owned pop-up shop has facilitated the long-term establishment of at least one retailer per year. This model allows retailers to test their business concept, build a customer base, and familiarise themselves with retail operations, particularly benefiting new entrepreneurs emerging post-COVID. Many of the businesses involved belong to the social and solidarity economy, including second-hand and antiques stores.

Increasing city centre footfall

While establishing a direct causal link between municipal initiatives and rising city centre footfall remains challenging – particularly given post-COVID shifts in consumer behaviour – data indicates a sustained increase in foot traffic since 2021, with spikes of up to 40% in early and summer months (see Figure 4.2)

Figure 4.2 Evolution of the monthly footfall in Poitiers' city centre from 2021 to 2025



Source: Grand Poitiers' open data portal, Portail de données ouvertes Grand Poitiers.

What can other cities learn from this example?

Data collection for strategic insights

Systematic data collection on foot traffic and commercial vacancy is critical for measuring trends, assessing policy impact, and guiding strategic urban planning.

Supporting entrepreneurs in testing business models

Entering the retail sector remains challenging, particularly given competition from e-commerce and large retailers. By allowing entrepreneurs to pilot their business concepts in low-risk environments, cities can encourage long-term retail investment and city centre vibrancy.

Dedicated retail support services

Poitiers has created a dedicated municipal service for retailers, leveraging expertise developed through the Action Cœur de Ville programme. This initiative provides a single point of contact for businesses, helping them navigate urban planning, signage regulations, and waste management, ensuring a more business-friendly city centre.

Bilbao, Spain – Implementing a multidimensional strategy to support retail SMEs

What are the objectives?

Retail SMEs in Bilbao (Spain) face several challenges, particularly due to their small size. Many are sole proprietors or very small businesses with limited capacity to invest in innovation, sustainability, or digital transformation.

Challenges

The retail sector has been affected by a combination of structural and cyclical challenges. The COVID-19 pandemic led to a sharp decline in retail activity and consumer footfall, forcing many businesses to close or to operate under prolonged financial strain during the recovery period. At the same time, rising inflation and higher operating costs have reduced profit margins, making it increasingly difficult for small retailers to remain competitive. Demographic factors also play a role, as many shop owners are ageing – often with an average age of around 50 – which can limit the adoption of digital tools and more modern business practices. These challenges are compounded by the predominance of one-person businesses and micro-retailers with limited financial and managerial capacity, further constraining their ability to invest in innovation, including digitalisation. Finally, shifts in consumer behaviour, notably the growth of online shopping and changing preferences among younger generations, have intensified competitive pressures on traditional brick-and-mortar retail.

Objectives

The strategy seeks to revitalise the retail sector by addressing the decline in local commercial activity driven by digitalisation, demographic change and evolving consumer behaviour. It aims to improve business competitiveness by supporting digital transformation, compliance with sustainability requirements and the adoption of more modern business practices. At the same time, the approach emphasises the integration of commercial considerations into urban planning decisions, notably to enhance mobility, accessibility and the overall attractiveness of retail areas. The strategy also seeks to encourage business succession and innovation, responding to the ageing profile of many shop owners and the limited generational renewal observed among small retail businesses. Finally, it prioritises stronger collaboration between local governments, business associations and urban planning bodies in order to develop and implement a coherent and comprehensive retail strategy.

How does it work in practice?

Bilbao's city council, in collaboration with a wide range of public and private stakeholders, has implemented a comprehensive set of policies to support retail SMEs. Central to this approach is a strategic retail plan for 2020–2025, developed jointly with business federations and experts in urban planning and mobility, which sets out a shared vision for the future of the city's retail sector. To support this vision, the city has invested around EUR 2 million in digitalisation programmes for small businesses, offering training and consultancy services to help retailers adopt and integrate digital tools. These efforts are complemented by targeted training and mentorship initiatives focused on management, business strategy, digital transformation and customer service, enabling SMEs to adapt to evolving market conditions.

In parallel, Bilbao provides financial support to both new and existing small businesses to strengthen entrepreneurship and enhance competitiveness. Urban policy measures also play a key role, notably through the development of pedestrian-friendly commercial corridors and improved accessibility, including vertical mobility solutions such as elevators in high-altitude districts. To ensure that interventions remain evidence-based, the city conducts biennial studies to monitor business dynamics, including openings and closures, as well as levels of digital adoption. Finally, regular multi-stakeholder coordination meetings, held

every six months and involving representatives from commerce, urban planning, mobility and security, provide a platform to review progress, share insights and adjust policies as needed.

What has the impact been?

Mechanisms to evaluate the impacts

A range of mechanisms has been put in place to evaluate the impacts of retail support policies. A biennial study on retail commerce provides a detailed mapping of businesses, analyses openings and closures, and assesses levels of digital adoption. This is complemented by the monitoring of key economic indicators, including inflation, business closures, employment in the retail sector and rates of digital uptake. Additional evidence is drawn from participation data and performance metrics associated with entrepreneurship, training and digitalisation programmes. Urban mobility and commercial footfall data are also used to monitor consumer behaviour and to assess the effects of pedestrianisation and other public-space interventions in key commercial areas.

Impacts

These monitoring efforts point to several observable impacts. Surveys suggest that pedestrianised commercial corridors have contributed to increased foot traffic and improved the overall quality and attractiveness of the urban environment. Some SMEs have made progress in integrating digital tools into their business models, although the pace of digital transformation remains uneven, partly reflecting the older age profile of many business owners. Policy implementation has also strengthened collaboration between municipal services, business federations and urban planning bodies, contributing to more coherent and effective interventions. At the same time, measuring the precise economic impact of individual programmes remains challenging, given the influence of broader external factors such as inflation, changing consumer behaviour and macroeconomic conditions.

What can other cities learn from this example?

This experience offers several lessons for other cities. Integrating retail considerations into urban planning – particularly through the development of pedestrian-friendly commercial corridors – can have a significant influence on retail performance and city-centre vitality. Strong stakeholder co-ordination, supported by regular multi-sectoral meetings, helps ensure that policies remain responsive and well aligned across policy domains. Data-driven decision making, notably through recurring retail studies, is essential to track progress and adjust strategies over time. Finally, policies should be adapted to local demographic characteristics, as older business owners may require more tailored and sustained support to engage effectively in digital transformation.

Bonn, Germany – Co-ordinating with stakeholders to create a supportive environment for retail SMEs

What are the objectives?

The City of Bonn, in Germany, hosts approximately 333 000 inhabitants, and serves as a key commercial hub for the Bonn/Rhein-Sieg-Kreis region, with a catchment area of 1.2 million people. It has a central retail hub – Bonn City Centre (135 000 square metre of retail floor space) – complemented by three smaller secondary centres in Bad Godesberg, Beuel, and Duisdorf. The retail vacancy rates in Bonn's shopping districts are higher in Bonn City Centre (10%) and Duisdorf (10%) than the two other districts (Bad Godesberg: 8% and Beuel: 1%). The city centre hosts around 450 retail establishments and 60 gastronomy businesses. During the COVID-19 lockdowns, footfall declined significantly and only recovered gradually. As of today, pedestrian numbers have nearly returned to 2019 levels. Overall, Bonn City Centre – and its secondary hubs – have seen a recovery in footfall, and retail vacancy rates remain at manageable levels. However, retail sales have declined, with consumers spending less than before. Like other urban centres in Germany and Europe, Bonn has faced challenges in maintaining the vitality of its retail sector. The city's retail policies aim to:

- Mitigate the impact of the COVID-19 pandemic, which significantly reduced visitor numbers and weakened retail revenues.
- Reduce retail vacancy rates, especially in the main key commercial district of Bonn City Centre
- Enhance co-operation among stakeholders, including businesses, property owners, and municipal authorities, to facilitate a coordinated approach to urban retail development.

How does it work in practice?

Collecting data

The Bonn Economic Development Office conducts regular footfall analyses using data from Hystreet.com. Laser scanners, installed in August 2018, continuously monitor pedestrian activity at Poststraße, Remigiusstraße, and Sternstraße. These long-term data sets provide nearly seven years of continuous insights into retail footfall trends.

In 2020 and 2022, the Economic Development Office commissioned the Institute for Retail Research (IfH Cologne) to survey 1 000 pedestrians. These surveys contributed to the IfH study "Vital City Centres", but due to budget constraints, the study was not commissioned in 2024, and its continuation in 2026 remains uncertain.

Stakeholder engagement

Since 2020, the Economic Development Office has hosted the Annual Bonn City Conference, providing a structured platform for key stakeholders to discuss retail sector challenges and opportunities.

The City has established regular consultation forums with property owners and businesses, addressing location-specific concerns such as storefront aesthetics, outdoor advertising regulations, and commercial zoning policies.

Retail-friendly policy adjustments

For the past 15 years, Bonn has successfully facilitated "*Verkaufsoffene Sonntag"* (special Sunday openings) through a locally negotiated city-wide agreement, overcoming Germany's restrictive Sunday trading laws.

Unique in Germany, this agreement is renegotiated every three years with key stakeholders, including business communities, city marketing associations, churches, the Chamber of Industry and Commerce, the district craftsmen's association, and the retail association.

Zentrenmanagement (centre management programme)

The *Zentrenmanagement* (centre management programme) is funded through a combination of municipal, regional and federal sources and allocates between EUR 110 000 and EUR 150 000 per centre over a three-year period. The programme focuses on strengthening local retail ecosystems by enhancing business networking, organising events and promotional activities, and improving co-operation between retailers and property owners. Since 2021, a private consulting firm has been contracted to co-ordinate marketing campaigns, event programming and business engagement initiatives. In parallel, the Economic Development Office acts as a liaison between local businesses and municipal policymakers, helping to ensure that business needs are reflected in policy design and implementation.

Dedicated retail support services

Bonn's Economic Development Office operates as a one-stop support hub for retailers, providing a range of tailored services. These include real estate advisory support for the acquisition and leasing of commercial spaces, guidance for start-ups and business development, assistance with funding applications and access to grant opportunities, as well as support in navigating regulatory and administrative requirements related to urban and commercial policies. This integrated support structure aims to reduce administrative barriers and strengthen the viability of retail SMEs.

Climate-resilient urban redevelopment

In parallel, Bonn has implemented major urban regeneration projects aimed at improving public spaces, enhancing pedestrian accessibility and revitalising retail centres. The city has invested around EUR 8 million in its central areas, including the Rhine promenade and key commercial streets, and a further EUR 8 million in the pedestrianisation of Bad Godesberg. These investments have contributed to creating a more attractive, accessible and climate-resilient urban environment, supporting both retail activity and broader quality-of-life objectives.

What has the impact been?

Bonn's targeted interventions have had a stabilising effect on the city's retail sector, particularly in mitigating the longer-term consequences of the COVID-19 crisis. Foot traffic in key commercial areas has recovered to pre-pandemic levels, although overall consumer spending remains below earlier benchmarks. The introduction of retail centre management has proved especially effective, notably by improving communication and co-ordination between businesses, property owners and municipal policymakers, thereby strengthening the coherence and responsiveness of local retail support measures.

What can other cities learn from this example?

Stakeholder co-ordination is critical

The city has successfully facilitated dialogue between businesses, property owners, and policymakers, ensuring that retail strategies are well-integrated.

Flexibility in policy implementation is beneficial

The city's unique approach to negotiating special Sunday opening arrangements demonstrates how regulatory barriers can be addressed through stakeholder consensus.

Métropole du Grand Paris, France – Supporting city centre vibrancy and local commercial dynamism through innovative partnerships

What are the objectives?

The *Centres-Villes Vivants* ("Living Downtowns") programme, initiated by the Métropole du Grand Paris, aims to revitalise urban centres within its jurisdiction in the Île-de-France region. Active since 2018, it supports 131 municipalities including Paris that fall outside of the scope of the nation-wide Action Cœur de Ville programme targeting medium-sized cities across France. Although the number of active businesses in Île-de-France grew by 2.1% between 2021 and 2023 in Île-de-France, the commercial vacancy rate also rose to between 12 and 13% during the same period – suggesting that while new businesses are emerging, they are not necessarily occupying previously vacant premises. This trend is further compounded by sectoral shifts, with a decline in businesses related to personal equipment and a simultaneous pivot toward food and drink establishments, as well as discount and second-hand retail, in response to the rise of e-commerce and reduced consumer purchasing power due to inflation.

As some city centres also remain vulnerable from lingering impacts of the COVID-19 pandemic, the authority has renewed its commitment to mitigate intermunicipal disparities and address challenges of declining foot traffic and commercial diversity with a third wave of personalised and continuous support to municipalities announced in autumn 2024. Since its inception until October 2024, the programme has supported over 90 municipalities, awarding 76 grants through its dedicated fund, the FIMACS (*Fonds d'Intervention Métropolitain de soutien à l'Artisanat, au Commerce et aux Services*), totalling EUR 28.5 million.

How does it work in practice?

Centres-villes-vivants is the fruit of collaboration between the Métropole du Grand Paris and several partners, including the Paris Île-de-France Chamber of Commerce (CCI), the Île-de-France Chamber of Trades and Crafts (CMA), Les Canaux,[15] the Paris Region Institute,[16] and the Centre-Ville en Mouvement association[17]. The Banque des Territoires,[18] the Paris Urbanism Agency (Apur),[19] and the National Agency for Territorial Cohesion (ANCT)[20] are also key partners. The first edition of the programme, set between 2018 and 2021, took the form of a call for proposals (*Appel à Manifestation d'Intérêt)*. It gathered interest from 55 municipalities and supported revitalisation projects in 26 of them through a EUR 8 million budget. Through strategic, technical, judicial and financial support for municipality-led projects, the FIMACS has since been the core of the programme and focuses on a range of actions:

- Commercial animation and activations
- Storefront improvements and urban logistics
- Outdoor and indoor marketplaces
- Commercial space acquisitions, leasing and renovations
- Public space development, cultural urbanism and place marketing
- City centre management recruitment
- Pop-up shops, third spaces, greening, local service provision
- Investment and operationalisation studies.

Recognising the need for sustained and comprehensive support in 71 municipalities, especially given varying financial resources between smaller and larger towns, the programme enhanced its scope during the second iteration starting in 2021. In addition to increasing its project-financing endowment (FIMACS) to EUR 15 million over three years, new initiatives included:

- **Network and collaboration:** Organising a metropolitan city centre manager network in collaboration with the Paris Île de France Chamber of Commerce
- **Events, Training, and Conferences:** Providing training, thematic workshops, and platforms for exchange and peer-learning among elected officials and city centre technicians
- **Wrap-around technical and financial support:** Creating a landed property mixed enterprise corporation, enabling local authorities to acquire and manage holdings of business premises and assets
- **Data and analytics:** Setting up an Observatory on commercial offering (available for use since spring 2023), an interactive monitoring tool developed by the Paris Ile-de-France Chamber of Commerce to support municipal decision making in managing commercial diversity. It namely comprises the mapping of existing businesses and identification of vacant premises, property ownership and sectoral business data, along with information on zoning, population, and transport.

In 2023, the programme authority, along with the *Banque des Territoires* and its partners (CCI Paris Île-de-France, CMA Île-de-France, SEMMARIS and Crédit Agricole Île-de-France), created the *Foncière Centres-Villes Vivants*, a commercial real estate tool aiming to support municipalities with sustainable funding for revitalisation efforts by acquiring commercial land on their behalf and decreasing speculative pressures on business properties. With an acquisition target of EUR 150 million over ten years – representing around 400 commercial premises – the *Foncière* operates along three axes: acquiring and renovating vacant or underutilized commercial spaces to encourage tenant investment; diversifying the commercial offer in city centres to better meet local needs; and ensuring stable, moderated rents to support long-term business sustainability.

What has the impact been?

Between 2019 and 2024, *Centres-Villes Vivants* supported 96 participating municipalities, 76 of which received a grant since the programme's second iteration. Single grants have reached up to EUR 500 000. 50 municipalities have set up a profile on the commercial observatory platform, which represents a 40% adoption rate of the service. It equips municipalities to update their databases on commercial premises, which proves particularly useful for those who previously had no system in place to monitor this data.

Out of 402 projects, an assessment of the programme showed that the most financed themes and services were:

- renovations and modernisation of indoor and outdoor markets (EUR 9.05 million, 48 actions)
- public placemaking projects (EUR 3.14 million, 59 actions)
- public space events and activations (EUR 2.5 million, 48 out 59 co-financed projects dedicated to events programming)
- storefront improvements (EUR 1.4 million, 36 projects)
- urban greening (EUR 759 808 across 10 projects)
- place promotion, including branding and marketing (EUR 301 040, 26 actions)

Supporting and enhancing the skills of a metropolitan network of retail and city centre managers, along with improving the range of services available to them, such as information, networking opportunities, training, and expert advice has also been a renewed focus of the programme to shift from sole funding provision to comprehensive strategic and technical assistance to invigorate city centres. As such, Centres-Villes Vivants has supported the recruitment of nine city centre managers in the regions with EUR 286 300 attributed to co-financing the positions. In Villeneuve Saint-Georges, the appointment of one such manager has been a crucial factor of success as a contact point between the city and its shop owners, ensuring administrative efficiency and regulatory compliance thus facilitating commercial activity through proximate support. In other cities, this measure received positive feedback as it enabled them to implement

transversal action plans with the help of a professional liaising between the municipality, public partners and the private sector.

The evaluation and measuring of impact of co-financed projects is another recent development of the programme's third iteration. At the outset, municipalities are now required to define indicators to assess the success of their initiatives. During the final stage, they will be expected to report results based on these initial indicators. In parallel, smaller working groups are exploring effective methods for measuring impact, particularly through the Cities@Heart project carried out at the European level.[21] The Métropole du Grand Paris has contributed by offering a footfall measurement service, allowing 89 municipalities to access basic data on flows within their city centres.

What can other cities learn from this example?

The importance of Innovative partnerships and robust governance networks

Communities with well-established local or regional governance structures may be uniquely positioned to leverage wider networks of collaboration as exemplified by the programme. Partnerships are a cornerstone of the initiative as it unites a diverse array of stakeholders, including public institutions, financial entities, and community organisations to collectivise expertise and resources to help sustain city centres in direct collaboration with municipalities. For example, two key partners, the Paris Île-de-France Chamber of Commerce and the Île-de-France Chamber of Trades and Crafts, support municipalities by helping identify local entrepreneurs and opportunities for market development and conducting public works impact studies. The Chamber of Trades and Crafts specialises in the artisanal sector, while the Chamber of Commerce offers legal support to commercial managers and provides data and analytics tools to the programme. This multifaceted partnership framework ensures that revitalisation efforts are comprehensive and robustly informed by actionable experience. The programme's focus on collaboration and partnerships at the local level is also mirrored in European-level initiatives like Cities@Heart, which highlight their importance.

The *Foncière Centres-Villes Vivants* is also a wide-ranging collaborative effort rallying five key founding partners that provide strong financial backing, strategic planning, and operational capabilities. It *innovates* on the land holding front of city centre revitalisation as a semi-public real estate entity, aiming to promote the diversity and vitality of retail offerings and provide stability for commercial tenants. Compared to other interventions with shorter or medium-term scopes – like pop-up stores– this initiative provides a longer-term intervention arm for municipal governments to act upon commercial vacancy and retail diversity in city centres.

Iterative feedback to better address needs

One of the programme's strengths is a continuous feedback loop across its different iterations, prompting adaptations to better meet local needs. Initially launched as a purely financial support scheme, the first edition highlighted the need for more hands-on guidance and technical support. Building on this foundation, the second edition introduced a rolling call for applications and tailored assistance provided by three dedicated staff, each covering a different area of the Metropolis. This structure enabled the co-construction of robust action plans enriched by the input of key partners. The third edition evolved further to prioritise the most in-need municipalities, adding evaluation tools and dedicated networks – such as for pop-up stores – to ensure long-term project viability despite tighter budgets.

Stockholm, Sweden – Reclaiming outdoor public space to promote urban vibrancy

What are the objectives?

Part of Stockholm's broader city animation and attractiveness strategy, Living Stockholm (Levande Stockholm) emphasises the flexible and changing uses of public space throughout the year and aims to complement the city's accessibility strategy, which focuses on mobility, traffic and balancing trade-offs between different modes of transport. As Stockholm's urban environment is continuing to shift from the ripples of the pandemic and a changing retail landscape, for instance with shifting business activity from the city centre to the suburbs and suburban centres, the city is looking to enhance its public spaces to keep its streets vibrant.

From late spring through fall, select streets in the city transform into pedestrian meeting grounds with extended outdoor food and drink service from its resident businesses, while squares come alive with cultural programming and adorned with furniture, installations and greenery encouraging passersby to stay a while. Like many places across the OECD, Stockholm has seen a shift towards hybrid work models, and Living Places encourages residents to reclaim the outdoors while making the city attractive to visitors. Given evolving perceptions of security related to rising levels of crime in Sweden, Living Stockholm also seeks to create safer and inviting outdoor environments for all.

How does it work in practice?

What started as a pedestrianisation pilot of two streets in the Södermalm quarter in 2015 has developed into a full-fledged programme led by the Living Stockholm team in collaboration with the Stockholm Transport Office. The programme now transforms over 50 public spaces – streets, squares, and quays – each year into lively, car-free areas. These "summer places" span central neighbourhoods and, increasingly, suburban areas, and more recently include seasonal winter sites as well. The programme is shaped through collaboration between traffic planners, landscape architects, liaison agents, and permit officers: a team of ten who oversee both the spatial design and the planning process throughout the year. Notably, it aims to promote vibrant street life by restricting car access between 6 am and 11 am to allow for full pedestrianisation during peak hours.

Funding for the programme is provided through Stockholm's annual budget. In 2024, the budget was increased from SEK 23.5 million to SEK 31.5 million (approximately EUR 290 000 annually). The initiative operates on a three- to four-year rolling plan and is accompanied by mandates to ensure cultural programming and equitable geographic distribution – for instance, by requiring at least one "summer place" in each of the city's 11 suburban districts. Streets are selected based on several criteria, including commercial activity, the proximity of restaurants and shops, and potential to complement existing public life. Locations can be proposed by elected officials, or even residents, and are refined through a planning process that begins each October with the arrival of the municipal budget. Planning is continuous and coordinated with the city's Transport Department management team, with street-level activations typically rolling out from April to October. Squares often remain open slightly longer into the fall, while winter places use light and winter-hardy greenery to promote comfort, security, and slower movement through space.

While there are no formal private or community partnerships, the city maintains close working relationships with businesses, entrepreneurs, and large real estate owners. Over the first three years of a "summer street" opening, pamphlets are distributed to businesses on targeted streets to explain permit processes and encourage participation in outdoor patio expansions. Cultural programming is also an important part of the summer places experience. In collaboration with the city's Culture Department and Stockholm Art, around SEK 3 million is allocated annually for cultural activations, including around 100 events by 50 artists ranging from theatre to jazz performances and site-specific public artworks.

What has the impact been?

Pedestrianised streets and lively public spaces are gaining importance as a recognisable feature of the city, whereby the Stockholm Business Region has been able to rely on the branding provided by Living Stockholm to help guide tourism throughout the city. The response from the business community has been a positive one with the widespread adoption of outdoor restaurant permits – which significantly increase business numbers from April to September – and participation from some restaurants evolving into co-creating parklets, hosting open-access food festivals, and spontaneous business-led initiatives like furniture installations or cultural events. Real estate owners – especially those managing office buildings – have become more involved in the last five years, acknowledging that the quality of space between buildings is as critical as the interiors.

The social benefits of the programme have been more systematically assessed since 2020. Through the *Medborgarpanelen* (Citizen Panel) and pilot street studies, the City has captured a range of social outcomes: increased dwell times, greater feelings of security, and a heightened sense of joy and belonging in shared public space. Citizen Panel surveys are now administered on a bi-annual basis to focus on gathering insights about the opening of new summer places. In one study of Sätra square, one in five people reported visiting more frequently since the transformation of the area. Nearly three-quarters of respondents said the changes increased their desire to stay and socialise, while just over half felt that safety had improved. These findings were echoed in pilot interviews conducted across three suburban squares, which revealed long-term engagement across diverse target groups, including families with children. Before-and-after comparisons for new superblocks, such as in the Old Town, also point to more sustained and enjoyable visits.

What can other cities learn from this example?

Internal coherence and agile external relations

A key success factor in Stockholm's case is the strong internal coordination of the initiative and its project team, which garners strong political support and prioritises horizontal collaboration between the Transport, Culture, and Sports departments. The programme maintains open channels with actors beyond the administration – such as cultural services, real estate owners, and local elected officials – positioning it as a "spider in the net" weaving together different urban agendas. It demonstrates that successful implementation relies not only on good design, but on sustained cross-departmental collaboration and effective communication with stakeholders.

Piloting and scaling urban solutions

Living Stockholm shows the importance of adaptability and experimentation in local initiatives. The city uses the summer places as a testing ground to pilot street designs, adjust street furniture, and assess user experience before committing to more permanent changes beyond the scope of the programme. This approach lowers the risk of large-scale investment and encourages public support through visible short-term benefits. However, as the initiative expands, Stockholm is increasingly focused on maintaining quality and aligning the programme with long-term environmental goals. While early results point to social benefits and positive outcomes for businesses, further work is needed to assess environmental impacts and integrate the programme more directly into broader sustainability strategies.

Germany – Lebendige Zentren – Revitalising urban cores as multifunctional, resilient, and identity-rich spaces

What are the objectives?

Across Germany, town and city centres historically serve as vital spaces for commerce, culture, and community life, but face mounting pressures from changing consumer behavior, demographic shifts, and the accelerating impacts of climate change. Municipalities throughout Germany are contending with a range of spatial and socio-economic issues. These include declining foot traffic and rising vacancies in retail spaces, particularly in small and medium-sized towns, underused or decaying historical buildings, and urban heat islands exacerbated by dense construction and limited green infrastructure. In metropolitan areas, rising property values and use conflicts threaten social diversity and accessibility.

To support cities and communities in navigating these complex challenges, the Federal Government of Germany launched the *Lebendige Zentren* programme in 2020. As part of the broader federal urban development support (Städtebauförderung), *Lebendige Zentren* focuses on revitalising urban cores as multifunctional, resilient, and identity-rich spaces. The programme seeks to safeguard architectural heritage, enable adaptive reuse of existing buildings, enhance public spaces, foster mixed-use developments, and promote inclusive, climate-adapted urban environments. The programme is a continuation of the *Aktive Stadt- und Ortsteilzentren programme which ran from 2009 to 2019.*

How does it work in practice?

The *Lebendige Zentren* programme operates through a tailored series of activities designed to revitalise town and city centres. Municipalities begin by developing integrated urban development concepts (ISEK), identifying local priorities, such as vacancy reduction, public-space enhancement, and heritage conservation. These plans guide the implementation of projects ranging from façade restoration and adaptive building reuse to the redesign of streets, plazas, and green infrastructure. Each locale often employs a dedicated “Zentrenmanagement” team, hosted by the municipality, whose function is coordinating stakeholders, supervising project progress, securing permits, and maintaining public engagement. Regular transfer workshops and expert groups foster knowledge exchange among municipalities, planners, and funding agencies.

Governance is multi-tiered: the Federal Ministry of the Interior provides strategic direction and funding in cooperation with the Länder (states), while municipalities manage local implementation. A cost-sharing model typically applies, involving roughly one-third each from the federal budget, Länder, and municipal contributions – though municipal shares may be reduced to 10 % for some local authorities. Municipalities may also leverage private investment and contributions from local business owners, generating a multiplier effect whereby every euro of public subsidy stimulates four to five euros in broader investment. In addition, the federal “Transferstelle Lebendige Zentren” (administered by Plan & Praxis GbR) plays a key role in providing technical assistance, coordinating workshops, and disseminating best-practice guidance.

At the local level, partnerships involve city governments, heritage and planning authorities, local businesses, cultural organisations, and civic groups. The programme’s beneficiaries range from individuals seeking improved public spaces to private actors undertaking property renewal. Specific support efforts such as grants for mixed-use refurbishment, public-space interventions, and heritage restoration aim to re-establish town centres as vibrant, multifunctional hubs suited to contemporary social, cultural, economic, and environmental needs.

What has the impact been?

While the project is still missing an in-depth evaluation of its impacts at this point, the establishment of dedicated centre-management teams (*Zentrenmanagement*) has begun to yield benefits in stakeholder

coordination, project delivery, and community engagement. Municipalities like Aachen have reported that their centre managers have streamlined collaboration between local authorities, business associations, and citizen groups, ensuring that green-transition interventions and other revitalisation efforts are adapted to local needs. This structured approach has facilitated quicker launch of small-scale projects and helped maintain momentum through regular coordination. Green infrastructure projects, such as seen in Coburg through the retrofitting of public plazas with enhanced green-blue infrastructure has helped improve climate resilience and biodiversity in the city's historic core.

An evaluation of the predecessor programme (*Aktive Stadt- und Ortsteilzentren*) from 2015 demonstrated similar dynamics. It found that public-space upgrades, façade improvements, and multifunctional usage contributed to stronger retail stability and enhanced civic pride. Crucially, it also underscored that the presence of local coordination teams and flexible funding instruments (like discretionary grants) significantly improved project continuity and responsiveness to community input – lessons now embedded within *Lebendige Zentren*'s design. However, both programmes also noted that municipalities with limited administrative capacity may experience delays or challenges in meeting planning and implementation targets, leaving some expectations for rapid, systemic change unfulfilled.

What can other cities learn from this example?

The *Lebendige Zentren* programme offers several transferable lessons for municipalities aiming to revitalise their urban cores in a socially inclusive and climate-resilient way. Key strengths of the programme lie in its integrated planning approach, structured local coordination via *Zentrenmanagement*, and flexible funding tools such as the *Verfügungsfonds*, which empower local stakeholders and support incremental improvements. Particularly relevant for small and medium-sized towns – many of which face commercial decline and resource constraints – is the programme's emphasis on adapting existing structures rather than pursuing large-scale redevelopment. The modular, stepwise implementation format enables local governments to align renewal strategies with their own administrative capacity and context.

However, success depends heavily on a few critical enablers: strong interdepartmental coordination, early and consistent civic engagement, and well-resourced local teams. The 2015 evaluation of the predecessor programme and current implementation guidance both stress that without qualified *Zentrenmanagement* and clear project prioritisation, municipalities may struggle with slow execution or fragmented efforts. Potential areas for improvement include developing more robust systems for long-term impact monitoring, particularly around environmental and digital transformation goals, and ensuring continued support for capacity-building at the local level. For other communities, replicating the approach will require adapting these structural elements to local and national governance contexts.

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Notes

[1] Unit of measurement representing the movement of a vehicle over one kilometre. The distance to be considered is the distance actually run. It includes movements of empty vehicles (European Environment Agency, 1997[138]).

[2] Electricity price statistic (Eurostat).

[3] Mixed-use urban planning refers to a strategic approach to land use and development that integrates residential, commercial, office, cultural, and recreational functions within a single neighbourhood or development.

[4] In the context of tourism studies, retail authenticity refers to the perception that retail environments – such as shops, markets, and commercial streets – genuinely reflect the local culture, heritage, and everyday life of a destination.

[5] Fact reported through a questionnaire completed by the city of Bonn on 17/02/2025.

[6] Fact reported during an interview between the OECD and the city of Koper held on 13/12/2024.

[7] E-resilience is computed as a series of variables summarising the relationship of retail centres to online shopping, including the index of supply vulnerability, online exposure index, and an e-resilience index (created by the other two indices). The e-resilience is assessed on a scale: most vulnerable, vulnerable, e-resilient, most e-resilient.

[8] The cities in the sample for indicator mapping (18) were: Amsterdam, Bari, Bilbao, Birmingham, Braga, Bristol, Bruges, Brussels, Dublin, Florence, Ghent, Koper, Milan, Norwich, Poitiers, Stockholm, Waterford.

[9] The current iteration of the programme now includes Toronto.

[10] The Canadian Urban Institute is a national nonprofit organisation active since 1990 as a cross-sectoral platform for research, advocacy and events on Canadian urbanism.

[11] EDCO is a membership-based nonprofit association of economic development professionals.

[12] The Canadian Urban Institute became the sole operator of the programme for 2024.

[13] According to the Applicant guide, equity-seeking groups include Francophone, women, Indigenous, racialized groups, Black communities, newcomers, youth (39 and under), people living with disabilities, unhoused, low-income people, Trans or non-binar 2SLGBQIA+.

[14] The number of Main Street Ambassadors focused on a corresponding number of Main Street neighbourhoods was broken down according to municipality population size as follows: 4 – 6 Ambassadors above 500 000 inhabitants, 2 – 4 between 100 000 and 500 000, 1 – 2 between 50 000 – 100 000, and 1 under 50 000 (A minimum of 25 percent of the Main Street Ambassador contributions were reserved for communities with populations less than 50 000).

[15] Les Canaux is a Paris-based association that promotes an engaged economy – local, social, solidarity-based, and circular – by training and raising awareness among citizens, businesses, and communities about social and environmental innovation.

[16] The Paris Region Institute is a regional planning agency that provides expertise in urban development and public policy to improve quality of life and guide sustainable growth in Île-de-France.

[17] Centre-Ville en Mouvement, an association of elected officials and parliamentarians, brings together local stakeholders in conversation around cross-cutting dimensions of city centre vitality based on knowledge-sharing and expertise.

[18] Banque des Territoires is a French public investment bank for local and regional development

[19] The Paris Urbanism Agency is a non-profit association that conducts urban research and planning to support strategic decision making for the City of Paris and its metropolitan area.

[20] The National Agency for Territorial Cohesion is a public body that co-ordinates and supports public policies aimed at reducing territorial inequalities and fostering local development across France.

[21] The Métropole du Grand Paris is leading an EU-funded initiative entitled Cities@Heart that brings together ten European cities to revitalise their city centres through a shared, data-driven methodology focused on governance, sustainability, inclusion, integrated policies, and decision-making tools. Aimed at urban planners, policymakers, and stakeholders in sustainable and inclusive development, this URBACT project explores how proximity-based approaches, such as the 15-minute city, can foster dynamic local economies, social cohesion, and greener urban environments. By addressing the structural challenges of today's urban cores, the network aims at tackling this key question of city centres revitalisation at the European scale.

Annex 4.A. List of policy instruments to help retail SMEs adapt to the twin transition while mitigating its negative impacts

Annex Table 4.A.1. Policy instruments to support retail SMEs adapt to the twin transition

Type of Instrument	Objective	Policy Instrument	Details
Urban Planning	Competitiveness	Promoting holistic planning and mixed developments	Integrating housing, retail, and public space planning to ensure urban vitality and business sustainability.
Urban Planning	Competitiveness	Preventing out-of-town retail development if it impacts negatively the revitalisation of city centres	Allowing local authorities, on a case-by-case basis and based on a thorough assessment, to introduce restrictions to the development of out-of-town retail that could threaten the revitalisation of city centres.
Urban Planning	Competitiveness	Planning new spaces for retail (outdoor, temporary spaces)	Creating dedicated outdoor and temporary retail spaces to increase commercial activity and foot traffic.
Urban Planning	Competitiveness	Comprehensive urban renewal plans	Implementing multi-dimensional revitalisation projects to improve city centres with housing and infrastructure upgrades.
Urban Planning	Green Transition	Nature-based solutions and green infrastructure	Investing in parks, trees, and water management systems to improve urban climate resilience and quality of life.
Urban Planning	Competitiveness	Mixed-use development to sustain local businesses	Ensuring commercial, residential, and cultural activities coexist to create lively and economically viable city centres.
Urban Planning	Competitiveness	Improve the quality of place with greener, safer spaces	Enhancing urban aesthetics with pedestrian-friendly zones, greenery, and well-maintained public areas.
Urban Planning	Competitiveness	Repurposing historic buildings to attract footfall	Transforming old buildings into new cultural, commercial, or community hubs to boost attractiveness.
Urban Planning	Competitiveness	Simplifying permitted uses (Class E expansion) for high street adaptability	Allowing more flexibility in commercial property use to better align with shifting economic trends.
Transport	Sustainability	Improved public transport connectivity	Enhancing public transit access to high streets, particularly through expanded bus and metro networks.
Transport	Sustainability	Park-and-ride facilities integrated with metro and public transport	Reducing congestion by providing parking at transport hubs and encouraging public transit use.
Transport	Sustainability	Integrated parking information system	Minimising disruptive traffic by offering real-time parking availability and guiding vehicles accordingly.
Transport	Sustainability	Free shuttle services linking city centre and outlying areas	Providing free transport services to reduce car dependency and increase urban footfall.
Transport	Sustainability	Replacing on-street parking with bike lanes	Promoting cycling and sustainable mobility by reallocating urban space from cars to bikes. Encouraging the use of public transit and active mobility by removing vehicle parking options.
Transport	Green Transition	Upgrade the grid to support electrification and cleaner mobility	Enhancing electrical infrastructure to support electric vehicles and renewable energy integration.
Transport	Green Transition	Develop infrastructure supportive of active mobility	Building dedicated pedestrian and cycling networks to encourage sustainable transport modes.
Transport	Digital Transition	Use digital solutions to optimise deliveries	Implementing digital logistics systems to streamline last-metre deliveries and reduce congestion.
Transport	Green Transition	Support the decarbonisation of delivery	Providing incentives and infrastructure for electric

		vehicles	and low-emission delivery transport options.
Public Services	Social Inclusion	Public services as anchors on high streets	Locating essential public services like health centres and libraries in retail areas to increase foot traffic.
Public Services	Competitiveness	Public toilets to enhance accessibility	Ensuring the availability of well-maintained public restrooms to support retail areas and public spaces.
Public Services	Competitiveness	Improved public realm with green spaces	Investing in parks, plazas, and social spaces to make commercial areas more attractive and welcoming.
Public Services	Cultural Identity	Preserving heritage and repurposing historic buildings	Protecting architectural heritage and adapting buildings for modern economic and cultural uses.
Public Services	Social Inclusion	Safety and community measures like lighting, mixed-use areas	Enhancing urban security with street lighting, mixed-activity spaces, and surveillance initiatives.
Economic Support	Competitiveness	Business rate relief for local markets	Reducing tax burdens for small businesses and market traders to stimulate high street vitality.
Economic Support	Competitiveness	Property management by local authorities	Allowing municipalities to own and manage commercial properties to align development with community needs.
Economic Support	Competitiveness	Community asset transfers to ensure local ownership	Facilitating ownership of key properties by local businesses and community groups.
Economic Support	Competitiveness	Subsidised commercial rents for local businesses	Providing financial incentives or reduced rents to maintain diverse and vibrant retail offerings.
Economic Support	Competitiveness	Temporary reuse of vacant spaces for pop-up shops	Encouraging short-term commercial use of empty retail spaces to avoid urban decline.
Economic Support	Competitiveness	Prevent excessive rent increases for SMEs	Regulating commercial lease conditions to protect small businesses from unaffordable rents.
Economic Support	Green Transition	Financial assistance for energy-efficient transitions for SMEs	Offering grants and subsidies for businesses adopting energy-saving practices and renewable energy.
Economic Support	Green Transition	Tax incentives and grants for energy retrofits	Providing financial support for SMEs to improve energy efficiency and reduce operational costs.
Economic Support	Digital Transition	Access to digital tools	Providing financial support to retail SMEs to support the adoption of digital technologies such as digital platforms, e-commerce.
Economic Support	Competitiveness	Improving the commercial real estate market efficiency	Enhancing market fluidity by establishing work relations between local authorities, vacant property owners and entrepreneurs.
Economic Support	Competitiveness	Reducing business rent for retail SMEs	Implementing policies and incentives to lower rental costs for small retailers.
Economic Support	Competitiveness	Leveraging local taxation to disincentivise vacant property retention	Introducing tax penalties to discourage landlords from leaving commercial properties unoccupied.
Economic Support	Green Transition	Support energy efficiency upgrades through subsidies	Providing information, grants, and incentives for businesses to adopt energy-saving solutions.
Cultural Policy	Competitiveness	Local events and festivals to enhance retail footfall	Organising cultural and commercial events to attract visitors and stimulate spending in city centres.
Cultural Policy	Cultural Identity	Celebrating local identity through retail and tourism	Encouraging policies that promote locally sourced products and experiences to differentiate urban spaces.
Cultural Policy	Competitiveness	Renovation of historical market halls for commercial use	Revitalising traditional market spaces to maintain economic activity and cultural heritage.
Digital Policy	Digital Transition	Develop digital infrastructure to improve connectivity	Expanding broadband and high-speed internet to modernise businesses.
Digital Policy	Digital Transition	Enhance online visibility by investing in municipal digital platforms	Investing in centralised digital platforms that showcase local amenities and city centre retailers, promote events, and integrate online shopping options.
Digital Policy	Digital Transition	Workforce upskilling for digital adaptation	Providing digital training programmes for employees to enhance their ability to work with new technologies.

OECD Studies on SMEs and Entrepreneurship

Local Retail, Global Trends

How Digital, Green and Skills Shifts in the EU are Reshaping SMEs in Towns and Cities

The retail sector is undergoing rapid change. Digital and green transitions, demographic shifts and evolving consumer behaviour are reshaping how people shop and how businesses operate. These trends are particularly evident in towns and city centres, where retail plays a key role in economic and social life.

Small and medium-sized enterprises (SMEs) are at the core of this transformation. They represent the majority of retail businesses and jobs, but face increasing pressure from rising costs, technological change and shifting consumer and regulatory expectations. At the same time, SMEs are well positioned to adopt digital tools, pursue sustainable practices and contribute to local economic renewal, provided they have access to the right support and enabling conditions.

The report is structured in three main chapters. The first provides an overview of the EU retail ecosystem, analysing recent changes in the competitive environment for retail and wholesale SMEs and reviewing policy responses at both EU and national levels. The second examines employment trends in the sector, with a focus on evolving skill demands and workforce development. The third explores the role of urban policy in shaping vibrant retail spaces, particularly in supporting their adaptability and resilience amid ongoing structural shifts.

Co-funded by
the European Union

PRINT ISBN 978-92-64-94872-3
PDF ISBN 978-92-64-81681-7

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