



International Distribution Institute

Department stores

Different contracts used in this framework

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Most commonly used contracts:

- Concession/shop in shop
- Wholesale agreement/Consignment
- Other solutions, e.g. selective distribution

Concession contract:

- Specific area granted to the supplier within the store;
- The supplier's employees promote sales in the area;
- Cash desk: normally of the DS, but can also be of the supplier;
- Stock of products owned by the supplier until they are sold to the final customer;
- Services provided by the DS to the supplier (cleaning, energy supply, security service; use of common spaces; etc.);
- Consideration: fixed annual amount/percentage on the sales with minimum guaranteed + remuneration of other services;
- Fixed or indefinite term of the agreement (with termination by notice).

Concession - area disposal:

Issues related to the lease/use of the space:

- Possible application of domestic protective rules on commercial lease:
 - Lease of the space vs lease of the business («affitto di azienda»), vs free loan of the space;
- Possible application of administrative (national/local) rules:
 - «Affidamento di reparto» (assignment of the area): the area is managed by the supplier under the DS's administrative authorisation;
- Issues related to the management of the space: refurbishing, control, management of the area.

Concession - employees:

Supplier's employees managing the area granted to the supplier:

- Possible liabilities for the DS (employment law):
 - payment of their salaries, social security contributions etc.
 - Possible retraining as DS's employees
- On the supplier's side, possible issues related to workers posted abroad; using distributors' employees in far away countries.

Concession - consideration:

- Consideration for the area and/or for services granted by the DS:
 - annual fixed fee (based on m² of the granted area)
 - percentage on sales (around 25%), with minimum guaranteed
 - service fees
- Payment of the supplier's products
- Set-off between amounts respectively due, based on monthly payments

Wholesale/Consignment contract:

- Products sold by the DS (no dedicated area); possible corner managed by the DS;
- Typically, DS's employees managing sales of the supplier's products;
- Aspects related to the resale of products: same as in Concession (transfer of ownership, stock, resale and promotional policies etc.);
- Consideration: percentage on the sales with minimum guaranteed + remuneration of other services;
- Fixed or indefinite term of the agreement (with termination by notice).

Sales of products:

Main purpose for DS in all jurisdictions: the products shall remain of the supplier's property until they are sold to the final customer.

Different contractual schemes (tax issues):

- Commission contract (e.g. Italy, France);
- Sale under condition of the resale (e.g. France);
- Contratto estimatorio (Italy);
- Consignment agreement (USA, China);
- Sale with obligation to repurchase;

Policies regarding the products:

Although the stock remains of the supplier's property (insurance, storage etc. under his responsibility), the marketing and resale policy is mainly decided by the DS:

- selection/assortment of the products;
- promotional events;
- return of unsold products: e.g. end of season, or periodically.



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Thanks for your kind attention

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