

Unclassified

DAF/COMP/LACF(2015)11

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

26-Aug-2015

English - Or. English

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

DAF/COMP/LACF(2015)11
Unclassified

LATIN AMERICAN COMPETITION FORUM

Session I - Structural Issues in the Groceries Sector: Merger and Regulatory Issues

-- Contribution from Peru --

23-24 September 2015, Montego Bay, Jamaica

The attached document from Peru is circulated to the Latin American Competition Forum FOR DISCUSSION under Session I at its forthcoming meeting to be held on 23-24 September 2015 in Jamaica.

Contact: Ania Thiemann, Global Relations Manager, OECD Competition Division
[Tel: +33 1 45 24 98 87, Email: Ania.Thiemann@oecd.org].

JT03381003

Complete document available on OLIS in its original format

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

English - Or. English

LATIN AMERICAN COMPETITION FORUM



23-24 September 2015 • Montego Bay • Jamaica

Session I - Structural Issues in the Groceries Sector: Merger and Regulatory Issues

STRUCTURAL MATTERS

-- CONTRIBUTION FROM PERU¹ --

1. In Peru, the level of supermarket² penetration is 30%, which is below the 40% of the regional average.³ Accordingly, the Global Retail Development Index 2015 says that Peru remains as one of the 30 most attractive emerging countries for retail investment.⁴ The perspectives regarding the expansion and growth of supermarkets in Peru still remain positive over the following years, despite the slowdown in economic growth and private consumption.

¹ By Rodolfo TUPAYACHI. Deputy Manager at the Economic Studies Management of Indecopi.

² The retail sector entails companies that specialize in the sale of large volumes of products to a large different number of consumers. Where supermarkets (that sell a wide variety of edible and inedible products, commonly used in a home) are one of the major formats that can be distinguished within this sector (other formats are department stores, the malls, home improvement stores, among others).

³ In 2013, in Argentina and Brazil the share of modern retail sales accounted for 42%, in Colombia the level of penetration was 48%; while in Mexico and Chile was 52% and 63%, respectively. In terms of the retail sales area per capita (sq. m/ thousand people), Peru remains as one of the countries with the lowest area devoted to sales in the region.

⁴ Index elaborated by ATKearney, which ranks the 30 most attractive emerging countries out of 200 countries (based on country risk, population size and wealth), measuring factors related to market attractiveness, country and business risk, market saturation and time pressure (to enter or expand in the market in order to capture the growth).

2. In 2014, the supermarkets turnover in Peru was approximately US\$ 3.94 billion.⁵ Currently, there are three economic groups operating in this sector, Cencosud, which would have explained the 41,76% of industry sales in 2014; InRetail, with 33,13% of sales in 2014; and Falabella, with 25,10% of 2014 sales.⁶

3. In Peru, there are mainly three types of store formats: 1) hypermarkets (oriented to economic sectors B, C and D), 2) supermarkets (oriented to economic sectors A and B), and 3) discount stores (oriented to economic sectors C and D).⁷ Besides, at the level of wholesale store, two foreign stores stand out, Mayorsa (owned by the Chilean group SMU) and Makro (a Dutch-based chain).⁸

4. Although the first supermarket was opened in Peru in 1953, Peruvian families still prefer to make their buy of food through traditional formats (corner stores, or neighbourhood markets) upholding a penetration of 70%.⁹ This situation can be explained by the initial strategy adopted by firms to focus its expansion in Lima¹⁰, where middle class is larger; nevertheless, in the past five years with the improving of the purchasing power, the expansion of supermarkets has been dynamic into provinces and the outskirts of Lima.¹¹

5. On the other hand, according to Equilibrium (2013), Peruvian hypermarkets typically offer a large variety of products (perishable, non-perishable and services)¹² at low prices. Within the supermarket format, two sub-formats can be identified, one based on the quality of service and high prices, and the other where the variety of products at affordable prices is the strategy. Finally, discount stores are known for offering a limited range of products, which are addressed to the lower income economic sector.¹³

⁵ Estimated figures from sales data published by Cencosud Chile (937 004 million Chilean Pesos), Supermercados Peruanos (S/. 3 712 million) and Falabella Chile (USD 988 000) in 2014.

⁶ The Chilean group Cencosud operates in Peru Wong, Metro and Metro Express stores; Supermercados Peruanos owned by Interbank Group through InRetail manages Plaza Veá, Plaza Veá Super, Plaza Veá Express, Mass and EconoMax stores; and the Chilean group Falabella in Peru manages Tottus and Hiperbodega Uno stores.

⁷ SCOTIABANK (2014). Nuevos locales impulsarán venta de supermercados. Weekly Report from 8 to 12 September 2014. Year 15 – Number 32.

⁸ Mayorsa also owns a discount store known as MaxiBodega.

⁹ EQUILIBRIUM (2013). Análisis del Sector Retail: Supermercados. Equilibrium Risk Rating. November 2013.

¹⁰ In 2014, the level of supermarket penetration in Lima would have reached 35%, while in provinces that level was much lower. Gomez, I. (2014). Una mirada al retail peruano. American Retail. Opinion article of October 21, 2014.

¹¹ SCOTIABANK (2014).

¹² It should be noted that among the perishable products can be mentioned foodstuffs, vegetables, meats, fruits, among others; while among non-perishable would be considered personal care products, cleaning appliances, bazaar items, textiles, furniture, among others. Regarding the services, it can be mentioned food court, banks, laundry, ticket sales and distribution for shows, among others.

¹³ EQUILIBRIUM (2013).

6. It should be highlighted that in the last five years no merger or acquisition operation has been observed in this sector.¹⁴ The sales growth of supermarkets in Peru has been explained by the opening of new stores, the increase in consumption and purchasing power of the population, reducing costs by improving their level of economies of scale and scope, adding to it the higher sales of its private labels, mainly in the range of perishable products.¹⁵

7. On the other hand, it should be noted that a merger control system in Peru has only been established for the electricity sector.¹⁶ Accordingly, potential mergers or acquisitions that may arise in the supermarket sector do not require the opinion or approval of the Peruvian competition agency (Indecopi).

¹⁴ The last operation of acquisition that was observed in the sector was in 2010, when the Group of Supermarkets Wong was acquired by the Chilean group Cencosud, operation estimated in USD 500 million.

¹⁵ Given the low penetration level that still has the traditional format in Peru, the three supermarket chains have opened new stores in Lima (mostly on the periphery) and in provinces, leading to an increased level of competition within the sector and also with the traditional consumer channel. REVISTA STRATEGIA (2012). Comprar en un supermercado ya no es un lujo. Centrum Católica. Year 7, N° 27; SCOTIABANK (2014); EQUILIBRIUM (2013).

¹⁶ Law N°26876. Antimonopoly and Antioligopoly in the Electricity Sector Act. Published on November 19, 1997.