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LATIN AMERICAN COMPETITION FORUM

Session III - Competition Issues in the Groceries Sector: Focus on Conduct

-- 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 III at its forthcoming meeting to be held on 23-24 September 2015 in Jamaica.

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CONDUCT – SOME SPECIFIC PRACTICES IN THE SUPERMARKETS SECTOR”

-- CONTRIBUTION FROM PERU¹ --

1. On possible enforcement activities arising from unilateral or coordinated practices (cartels, vertical restraints or abuse of dominance), there has not been a claim that has deserved the intervention or pronouncement of the agency of competition in the supermarket sector yet. However, investigations on some edible products have been conducted in the past, mainly to dismiss concerns of possible coordinated activities to fix prices of agro products such as sugar, edible oil and wheat flour.²

2. Finally, Indecopi plans to develop a market study in the supermarket sector in the medium term, in order to acquire a better knowledge of the sector, focusing on the retailer-supplier relationship and the pricing strategy (e.g. promotional policies). According to the Bulletin Strategia (2012), supermarkets gain by selling in volume and as margins are reduced, so they increasingly tend to delay payments to their suppliers even for more than 60 days.³

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

² Additionally, since 2010 Indecopi has been monitoring the price of some agro-industrial products (rice, sugar, milk and chicken) at wholesale and retail levels in order to detect variations that can represent sustained deviations from their historical behavior and that can justify the starting of further investigations or sanctioning proceedings.

³ REVISTA STRATEGIA (2012). *Comprar en un supermercado ya no es un lujo*. Centrum Católica. Year 7, N° 27.

3. The planned market study will be important also to analyse: 1) the effect of the development of private labels as, according to Lira (2005), these products are a direct source of income for supermarkets, farther it contributes to the differentiation of the supermarkets and could facilitate the relocation of the bargaining power from suppliers to retailers⁴; and, 2) the customer loyalty programs (e.g. rewards program) or the provision of financial services (e.g.: credit cards); factors that may increase customer switching costs.

⁴ LIRA, L. (2005). *Cambios en la Industria de los Supermercados. Concentración, Hipermercados, Relaciones con Proveedores y Marcas Propias*. Centre of Public Studies (CEP in Spanish) of Chile, N° 97, summer 2005.