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MEDIA RELEASE

26/05/2022

Ref: CC/MS/07

THE COMPETITION COMMISSION LAUNCHES A MARKET STUDY TO ASSESS COMPETITION IN THE DISTRIBUTION OF FOODSTUFF AND OTHER HOUSEHOLD SUPPLIES IN MAURITIUS

The Executive Director of the Competition Commission (the “Executive Director”) has initiated a market study to assess the conditions of competition in the distribution of foodstuffs and other household supplies (groceries) in Mauritius.

The market study has been launched following recurrent complaints in relation to commercial practices in the distribution of groceries. It has been submitted that commercial practices, such as the Remise de fin d'année (RFA), between large wholesaler distributors and supermarkets, are adversely affecting competition for smaller distributors and retailers to the detriment of end consumers. The RFA is a form of financial incentive that wholesale distributors provide to retailers at the end of a sales period on achieving an agreed sales target.

While the RFA appear to be a common practice in the local distribution industry, in certain cases it can potentially have adverse effects on competition in the groceries market in Mauritius. This is because the RFA when practiced by large distributors could create a barrier to entry for smaller operators. In effect, the RFA works as a fidelity rebate that incentivise retailers to stock and promote the sales of those products which are tied to the RFA. It can thus have foreclosure effect, like exclusive purchasing obligations, as competing products may find it difficult to access shelf space. As such, competition at the wholesale distribution level may be adversely affected. The RFA can also distort competition at retail level. Small retailers which are not offered RFA can find it difficult to compete with larger outlets on level playing field. It is to be highlighted that the smaller retail outlets, which are located within the vicinity of residential areas, do provide several advantages to consumers such as convenience shopping and personalized services.

It is understood that RFA is concluded after commercial negotiations between wholesale distributors and retailers. In this regard, the market position and bargaining power of the operators plays an important role. For instance, larger retailers (especially supermarket chains) tend to have superior bargaining power to negotiate better commercial terms than smaller retailers which tend to be at receiving end. In consequence, certain of these commercial practices can impact on market competition and ultimately affect consumers.

The purpose of this market study is therefore to assess the underlying competition dynamics in the distribution market. More specifically, it will seek to identify the nature and prevalence of commercial practices such as RFA, slotting fee and allocation of shelf space in relation to the procurement of groceries by retailers from distributors and their impact on competition at both retail and wholesale levels. In this regard, the study will consider, inter alia:

- a. the structure of the wholesale and retail distribution markets.
- b. the law and government policies in relation to pricing, quality regulation and standards, allocation of shelf space, amongst others.
- c. commercial practices in relation to procurement of groceries between distributors and retailers (supermarkets and other retailers).

Deshmuk Kowlessur, Executive Director, said:

Mauritian households spend a significant proportion of their income on groceries. These are necessities which should be affordable to ensure the well-being of the population. It is therefore important that market delivers the best in terms of price, quality, and convenience in the supply of groceries to consumers. Impediments to competition can have adverse effects on market offerings, in particular on prices. The more so the economic situation is not conducive for consumers with the Covid-19 pandemic and the geopolitical situation with the Ukraine-Russia conflict. Households are no doubt being hit hard and therefore it becomes even more important to ensure that market competition is sound to protect consumers from further injury.

The market study is intended to shed light on the nature of competition in the distribution of foodstuff and consumer supplies. It aims at identifying potential barriers that can adversely affect competition in the distribution of groceries and to come up with recommendations to address any distortions identified.

In the context of this market study, the Competition Commission will be consulting and gathering information from the various stakeholders, including distributors, supermarkets, small retailers, and consumer organisations.

I also encourage interested parties to submit their views on issues relevant to this market study to the Competition Commission by post or through email by 27 June 2022.

Interested parties, if they so wish, may claim for anonymity and/or confidentiality with regard to their submission. The Competition Commission will have regard to their claims in the treatment of information obtained for the purposes of the market study.

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Background for editors

The Competition Act 2007 came fully into effect on November 25th of 2009 and is enforced by the Competition Commission. Part III of the Competition Act 2007 defines restrictive practices, against which the Commission can take action and, in some cases, impose financial penalties.

A market study, by contrast, is not a formal investigation of restrictive practices, but a general study conducted under Section 30 of the Act which empowers the Executive Director of the Competition Commission to undertake general studies on the effectiveness of competition in individual sectors of the economy.

The objective of a market study is to understand (and publicise) conditions of competition in a sector and the reasons for any lack of competition, and if necessary to recommend action by Government. Our focus is necessarily solely on competition. The Competition Commission has no authority or expertise to investigate environmental matters, for example, or any alleged breaches of law other than the Competition Act. It would be for the Government to take such wider concerns into account when considering any recommendation, we might make.

For further information see the Competition Commission's website at www.competitioncommission.mu