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The Competition Commission releases its Foodstuffs and other Household Market Study Report

The Competition Commission has today released the report of its Market Study into the Distribution of Foodstuffs and other Household Supplies (Distribution Market Study). The study was undertaken pursuant to Section 30(h) of the Competition Act 2007, which empowers the Executive Director of the Competition Commission ('the Executive Director') to assess the effectiveness of competition in individual sectors of the economy.

The study was prompted by several complaints about potential unfair commercial practices by larger retailers and distributors to the detriment of smaller operators. These practices relate, among other things, to 'Remise de Fin d'Année' (RFA), a form of loyalty-inducing trade discount paid retroactively subject to meeting sales targets; slotting fees; unfair payment and delivery terms; and requirements to finance promotional and marketing costs.

It is gathered that commercial agreements are negotiated between wholesale distributors and retailers where market position and bargaining power play an important role. Larger retailers, especially supermarket chains, tend to have superior bargaining power and can negotiate better commercial terms than smaller retailers, which are often at the receiving end. On their part, larger wholesale distributors may have higher bargaining power vis-a-vis smaller retailers and can impose their own trading conditions. The potential imbalances in bargaining power between large and small operators may place smaller businesses at a competitive disadvantage and weaken competition.

The study therefore proposes consideration of a voluntary Code of Conduct to promote fairer and more transparent commercial relationships between retailers and distributors. It also proposes consideration of potential legislative reforms to address the abuse of superior bargaining power or economic dependence. These measures aim to promote a level playing field, safeguard effective competition and ultimately benefit consumers.

To access the report of the Distribution Market Study, please click **here.**

Statement of the Executive Director

Mr. Vipin Naugah, Executive Director of the Competition Commission, stated:

"Access to affordable groceries is a priority for every household, and particularly for lower-income families. Effective competition in the distribution of foodstuffs and household supplies is what ensures that consumers benefit from competitive prices, greater choice and better service.

The study finds that bargaining power plays an important role in how commercial agreements are negotiated between wholesale distributors and retailers. Where that power is unevenly distributed, smaller businesses may be placed at a competitive disadvantage, which can weaken competition over time and ultimately limit choice and affordability for consumers.

Concerns around the exercise of superior bargaining power by larger operators have led competition authorities in several jurisdictions, including the United Kingdom, New Zealand, Australia and South Africa, to examine the functioning of their grocery sectors and the implications for competition and consumers. Mauritius is therefore not alone in confronting these issues, and the experience of these jurisdictions offers useful lessons.

"The study forms part of the Commission's proactive approach to identifying potential competition concerns and informing policy and regulatory responses. It proposes a voluntary Code of Conduct to promote fairer and more transparent commercial relationships between retailers and distributors. It also highlights potential legislative reforms to address the abuse of superior bargaining power or economic dependence.

I invite all stakeholders to engage constructively in coming up with the Code of Conduct so that together we can safeguard competition for the benefit of consumers."

----------End of media release----------