



# **Market studies in emerging competition sectors Mexican experience**

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## 1. Decision making process

2. Market studies in emerging competition issues/sectors

# Federal Economic Competition Commission (Cofece)

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## Legal status

The Commission is an autonomous authority.

## Purpose

To guarantee free market access and economic competition.

## Legal framework

### **Federal Economic Competition Law**

Article 12th allows to perform or order studies, research projects and general reports in subjects related to free market access and economic competition.

# Market studies

## Objectives:

 Look for regulatory and economic obstacles.

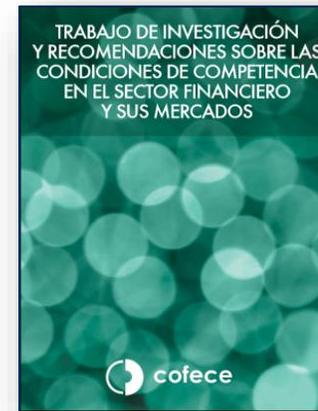
 Know the market structure.

 Look for vertical effects.

 Look for market failures.

## Results:

 Recommendations to authorities (regulatory reforms and public policies)



# Decision making process to identify markets for study

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- The 2022-2025 Strategic Plan defines the economic sectors that require our priority attention:
  - ✓ Food and beverages
  - ✓ Transport and logistics
  - ✓ Finance
  - ✓ Construction and real estate services
  - ✓ Energy
  - ✓ Health
  - ✓ Public procurement
  - ✓ Digital markets

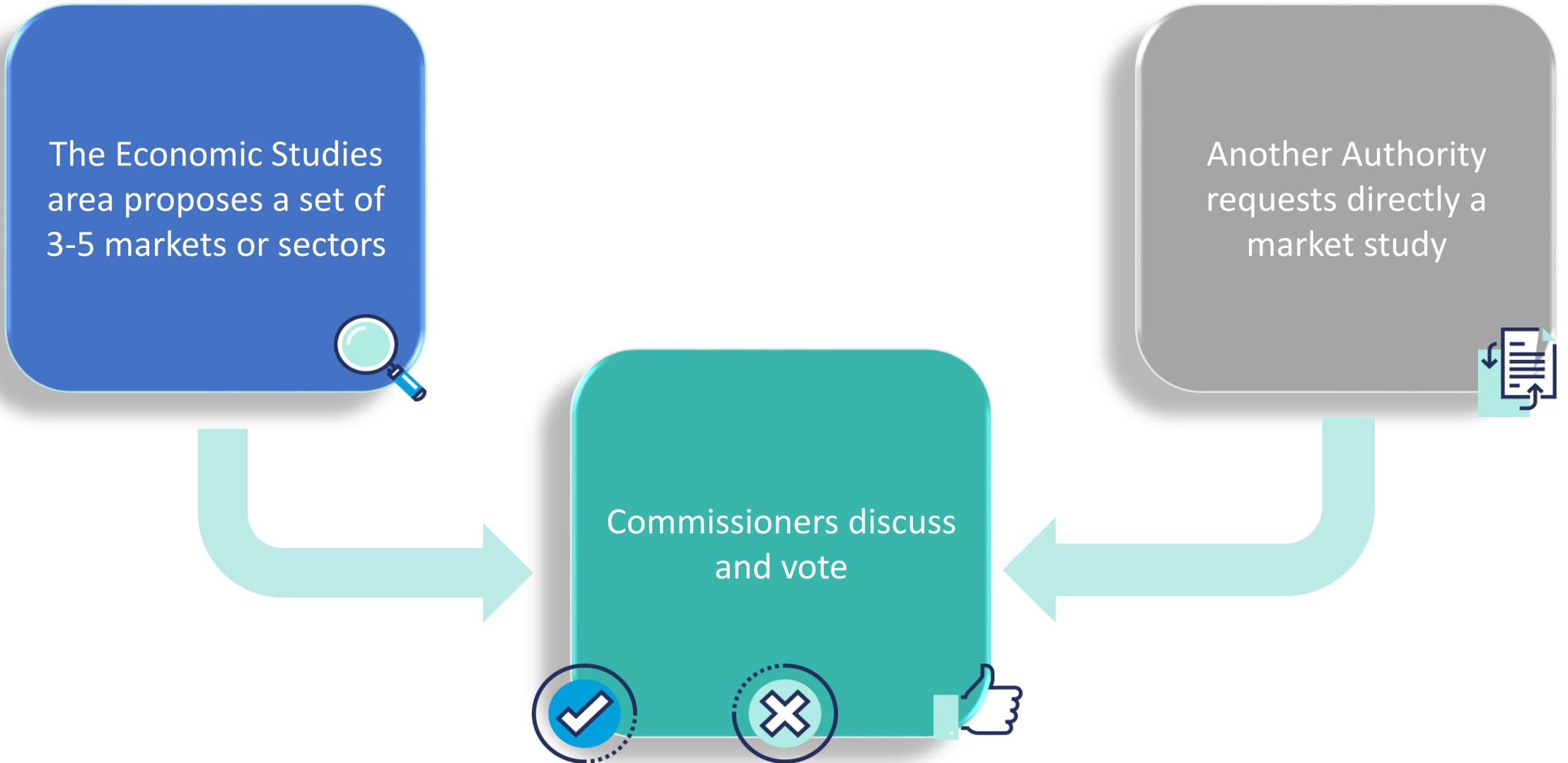
# Features considered

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- 1 Contribution to economic growth.
- 2 Consumption. Particularly, lower income households' consumption.
- 3 Whether the product is an input.
- 4 Whether certain market characteristics facilitate anticompetitive market structures and require government regulation.
- 5 Whether Cofece has identified the possible exercise of anti-competitive practices.
- 6 Whether the product or service under consideration has been the object of interest of other Competition agencies (e.g. disruptive products).

# Decision making process to identify markets for study

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1. Decision making process
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# Market study on the food and beverage modern retail market

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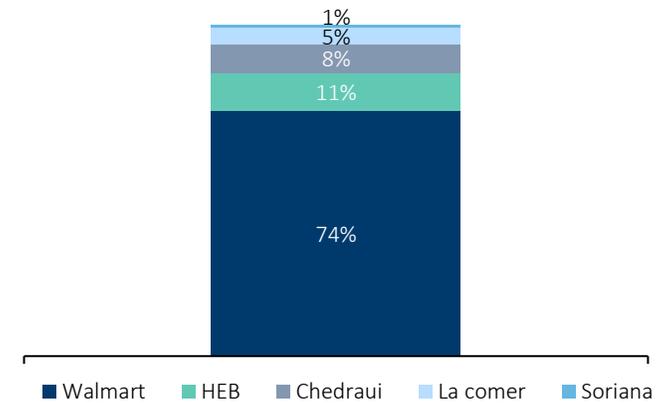
- **Objective:** Analyze the structure, performance and regulation applicable to the modern retail channel of food and beverages.
- Some modern channel market players have ventured into e-commerce, taking advantage of its infrastructure and incorporating innovations.
- New players such as marketplace platforms and Big Tech companies have entered the food and beverage retail market.



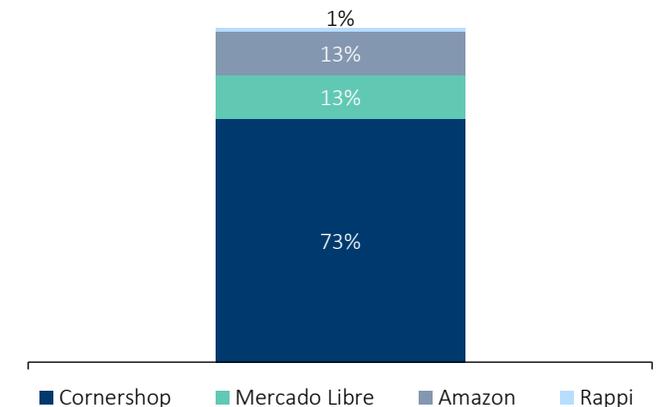
# E-commerce expands sales, but there are still limitations:

- E-commerce increases supermarket sales of food and beverages by 2.4%, in addition to regular sales.
- This expansive effect depends on the market player.
- The preference for cash as payment method affects the expansion of e-commerce.
- There is still a lack of trust to provide payment data online.
- Pre-pandemic data.

Online sales of food and beverages from retail chains, july-2019 (%)



Online sales of food and beverages from marketplaces and platforms, july-2019 (%)



# Market study on fintech (WIP)

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- Cofece is working on a market study on fintech to:
  - Analyze its structure and performance
  - Identify regulatory obstacles
  - Measuring the (early) impact of fintech
- The Law to Regulate Financial Technology Institutions was published in 2018.
- The number of fintech firms in the country grown at an increasing rate (16% in 2021). /\*
- Mexico is the 2<sup>nd</sup> Latin American country with the highest number of fintech startups. Currently, there are about 650 firms. /\*
- Enhancing competition in the banking sector can help to:
  - Reduce interest rate margins
  - Allow credit access to people and to small and medium-sized companies
  - Improve financial inclusion



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Market studies:

<https://www.cofece.mx/publicaciones/estudios-en-materia-de-competencia/>

# Appendix: Market study on the health insurance market

- The entry of insurtech in the insurance sector could generate some efficiency gains and reduce market failures, such as asymmetric information, lock-in effect, cognitive biases, moral hazard.
- The study identified some regulatory obstacles, and issued some recommendations:
  - Reduce authorization time for insurers, based on international best practices.
  - Issue the general regulation about interconnection and data sharing.
  - Establish a maximum term to decide on applications for innovative models.
  - Eliminate the maximum period of validity of the authorization to operate as an innovative model and grant the applicant the possibility of proposing the term.

