

Hub-and-Spokes Cartels

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All views expressed are personal and do not necessarily reflect the Autorité's views.



Information Exchanges (I)

- **Anticompetitive information exchanges between retailers and a common supplier**
 - Slightly different from exchanges through a trade association since the third party's profits now depend on the retailer's actions.
 - **Why would a producer be willing to participate to such an exchange?**
 - If retailers maintain high prices, they will sell (and therefore buy) less.
 - Might be a strategy to take an advantage over competing suppliers, in particular if suppliers are in a weak bargaining position vis-à-vis the retailers.
- **Would the following request be seen as an anticompetitive (hub-and-spokes) practice?**
 - **Retailer X wants manufacturer Y to guarantee him a minimum margin** (i.e., by adjusting the wholesale price if retailer X needs to lower his price to react to rival retailers).
 - Seems pro-competitive at first glance.
 - **But could also limit the manufacturer's incentives to offer better terms to retailer X's rivals.**

Information Exchanges (II)

- **Anticompetitive information exchanges between suppliers and a common retailer.**
 - Might be (even) more difficult to analyse in practice.
 - What if the information (e.g., on wholesale tariffs) is simply transmitted by the retailer in order to obtain better contractual terms from a supplier?
 - **Is the information really credible?**
- **General view on information exchanges (2009 Annual Report)**
 - Analysis depends on the type of information that has been exchanged.
 - Future prices and/or quantities (by object).
 - Past prices and/or quantity. **Effects-based approach, see how the information has/could have been used by the parties.**
 - See for instance the decisions *Parisian Palaces* (November 2005, 05-D-64) or *Mobile Telephony* (November 2005, 05-D-65).
- **Information transmission through panellists (e.g., Nielsen, IRI, etc.).**

Category Captains

- **Opinion on Category Management (December 2010)**
 - Is there a risk that a supplier acting a category captain for several retailers could be used as a hub to eliminate (or at least substantially soften) competition on a whole category of products?
 - Is there a risk that suppliers could exchange information through retailers in order to limit inter-brand competition?
- **In practice the risk seems (at least for the moment) limited**
 - Category captains only have a limited role (no decision power, can only affect the retailer's decisions at the margin).
 - Some concerns nevertheless:
 - Lots of information (data) transmitted by the retailer to a category captain (although some may be available from panellists).
 - Relations are not transparent.
 - Retailers and the suppliers are often direct competitors: retailers' labels compete with "branded" products. (*Horizontal, not a purely vertical issue*).

Networks of Vertical Restraints

- **“Recent” Economic Papers on RPM and Interlocking Relationships**
 - Dobson and Waterson (*IJIO*, 2007), Rey and Vergé (*JIE*, forth.).
 - RPM as facilitating practice to eliminate both intra- and inter-brand competition.
- **No case referring formally to this literature but some interesting decisions (both are RPM cases).**
 - *Toys* (December 2007, 07-D-50)
 - How to deal with Carrefour’s offer to pay back 10 times the difference if the consumer can find a lower price at a competing store?
 - *Brown Goods* (December 2005, 05-D-66)
 - No statement of objection notified to retailers, but some evidence that retailers were actively monitoring prices and reporting “deviations” to the manufacturers.

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