

4 July 2011: Sector inquiry into competition in the e-commerce sector

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e-commerce

After noting the extraordinary growth in e-commerce in France, the Autorité de la concurrence is launching a vast sector wide inquiry into competition in this sector

> *Version française* 

The online sales sector in France is growing very fast. Its growth, with sales of €31 billion in 2010 (+24% compared to 2009), is faster than our European neighbours' (sales grew by 29.5% between 2008-2010 compared to 19% in all the European countries). 28 million French people purchase over the Internet today.

E-commerce offers consumers numerous benefits, and gives them new prospects: greater diversity of selection, 24-hours access, easy comparison between products and services offered, and consumer assessment services... Cyber-purchasers order products and services in numerous sectors, the most popular being tourism, household electrical goods, clothing household furnishing, cultural products and food.

Faced with the growing weight of Internet in household consumption, the Autorité has decided, through the self-referral procedure, to analyze how the competition works in the sector, detect any malfunctions and make any necessary recommendations to correct them.

The Autorité will be considering the following problems in its investigation:

The impact of online sales on traditional distribution channels

The Autorité de la concurrence will initially examine the price differences between online sales and traditional distribution (physical stores) and evaluate the competitive pressure, notably on prices, which online commerce has over traditional distribution. The Autorité, will, in its opinion, consider whether certain online websites have acquired market power, enabling them to sell products at prices which are significantly higher than their costs.

The behaviour of manufacturers and distributors in the face of this new method of distribution

Faced with the arrival of this new distribution channel, certain suppliers and distributors, fearful that Internet was going to 'cannibalize' sales in physical ("actual") shops, adopted sales strategies aimed at encouraging consumers to favour traditional distribution (identical sales prices between online and stores, different products and services depending on distribution channels, restriction on the sale of products for selective distribution over the Internet...). The Autorité will consider the impact of these practices on competition, without calling into question the balance between the two types of distribution, stipulated in the new European regulation n° 330/2010/EU on vertical restraints (a balance that has largely been inspired by the Autorité and its decisions).

The role played by e-commerce intermediaries

Online intermediaries providing electronic payment, parcel delivery or price comparison services can account for a large proportion of the end price for the product or service. The Autorité will examine whether there is sufficient competition at these intermediary levels of the marketing chain. In particular, the Autorité will carefully examine the way price comparators work to ensure that the comparison of products and services is transparent and objective.

The Autorité will invite the main players in the sector (online traders, suppliers, distributors, intermediaries, etc), to attend hearings during the investigation, and will make any necessary recommendations to ensure well-functioning competition in the sector.

> Consult the full text of decision 11-SOA-02 of July 1 2011 relative to a self-referral for an opinion on the e-commerce sector

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