The benefits of competition

As in sport, competition is an incentive for companies to excel, thereby fostering innovation, diversity of supply and attractive prices for consumers and businesses alike. Competition thus stimulates growth and generates substantial benefits for the community!

In everyday life, the French people understand this, making use of competition wherever they can by comparing available products, prices and services and switching operators to benefit from more attractive offers.

Competition improves purchasing power

Purchasing power is a major concern in France. Competition policy is a powerful and effective means of protecting it; fighting anticompetitive practices, controlling take-overs and mergers, and updating laws and regulations all work towards the same objective: to drive genuine competition, which translates in particular into more attractive prices for consumers.

The *Autorité* takes action on several fronts:

Companies benefit too... as customers of other companies.

A study of the cartels detected by the European Commission has shown that 60% of them affect intermediate goods markets and therefore directly impact the competitiveness of businesses by increasing the cost of their inputs.

More competition means greater choice and more services

Competition is not just a matter of price. In practice it means greater product diversity and it promotes the emergence of new services. The pressure exerted by their competitors encourages companies to promote their products and to stand out by focusing on originality or quality of service or by targeting new customer segments.

Because they can access a wider range of products and services, consumers – and also businesses, as consumers of raw materials – can find the product that best meets their needs.

For example, opening up the gas and energy markets to competition means that every consumer can choose the option that suits them best, from a multitude of suppliers and offers (from regulated tariffs to 100% online offers, or green energy).

New services offered by major retailers

To win over new territories and consumers, major retailers are rethinking their business models. In the search for new ways of driving growth, brands are working to take advantage of stores and the internet by developing new services and increasingly personalised customer experiences. Customers can benefit from both of these sales channels, with click & collect, lockers, etc. They can also use customer collection (Drive) for supermarket shopping, to save time.

Innovation – competitiveness – growth: the virtuous circle of competition

Competition means constant stimulation

For established companies, economic competition is an incentive to keep innovating and improve their productivity so they remain efficient and effective and can stay in the race to continue attracting consumers.

When there is a wide range of products and services that meet their needs, consumers do not always choose solely on price. The quality of the products and services on offer can also be decisive factors. In order not to cede ground to their competitors or to new, better performing entrants, companies have an incentive to stand out by being more innovative and to invest in research and development.

In addition to technological innovation, competitiveness through quality also depends on other factors such as design, brands, know-how, commercial innovation, delivery and after-sales service. Competition thus improves quality.

Competition policy as a safeguard against deviant behaviour

Fighting anticompetitive practices is not just a boon to consumers. It ensures that **companies are properly in competition with each other**. When you don't really compete any more, your strategy becomes fixed and you have less incentive to innovate. Although this artificial “boost” can have short-term benefits, it jeopardizes the medium- and long-term competitiveness of a company and of the sector more generally. Cartels can also have an impact on other downstream companies – especially SMEs – because they tend to cause an increase in the price of intermediate products and consequently in their production costs.

Since competition is a process, it is possible that at some point a company will end up with a large market share. This is not of itself unlawful if it acquired the position on its own merits, by meeting customers' expectations better than its rivals. However, it must be possible for competitors that are more innovative or efficient to challenge this situation, whether they are already in the market or are new entrants.

This is the role of competition policy, which **can also restore competition** when it is hindered by stakeholders in a dominant position. They may, for example, be tempted to foreclose the market and prevent the development of new entrants. This type of behaviour hampers the emergence of new business models and can constrain the development of SMEs. The Autorité de la concurrence's role in detecting these practices is therefore crucial.

Learn more about the Autorité's missions

New economic models: an opportunity for our economy

Competition ensures market access for both businesses and consumers

In most sectors, opening up or strengthening competition, with the rapid emergence of new players, leads to a **significant reduction in the prices offered to consumers**. In mobile telephony, for example, Free's arrival in 2012 led to a general reduction in package prices of around 30% on mobile bills.

Apart from the effect on prices, opening up markets also provides a **gateway for new players, often with different, more effective business models**. Competition helps those looking to the future and taking risks; it thus paves the way for new ideas, new formats and innovative production processes that promote growth and ultimately jobs.

It enables unsatisfied demands to be met: new entrants often target customers who had never been or had ceased being consumers because the product or service had become too expensive or complex in relation to their needs or willingness to pay.

Low-cost flights: the model that revolutionised a whole sector

The emergence in a sector of a new business model reshuffles the pack and prompts incumbents to review their strategies. Low cost is based on the principle of marketing a “basic” offer, i.e. one that is stripped of all the services that accompany the classic offer. This simplification model means that production can be standardised and the company’s production costs are drastically reduced, as is the retail price for the consumer. The arrival of a low-cost offer within a market generally encourages traditional players to reposition their offer either on premium or on low cost: for example, in the aviation sector, the arrival of EasyJet and Ryanair prompted Air France to launch the Transavia and Hop brands to complete its range.

Opening up coach transport: positive effects on growth and jobs

The opening up of passenger coach transport in France is a good example of how this works. New demand emerged from people who are more sensitive to price than to travel time, such as young people and the elderly. This growth in demand stimulated the economy

upstream – for example in coach construction and driver training – but also downstream through spillover effects in the catering, accommodation and tourism sectors, etc.
In a nutshell, it led to growth and employment.

Because it rewards merit, competition brings hope and opportunity to innovators and facilitates the introduction of breakthrough innovations. For example, technological innovation in the private hire and taxi sector, with smartphones, has opened up new opportunities for growth and jobs.

Revitalization of existing players

The price reduction brought about by competition is not limited solely to new entrants but extends to the whole market. To cope with the threat posed by new competitors, incumbents adjust their prices to remain competitive. The reduction in prices therefore benefits not only the new operators' customers but also those of established companies. Purchasing power is thus increased for all consumers in a market. The mobile telephony and low cost sectors are good examples.