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# Competition Assessment of Cases in Digital Markets: The Acquisition of Cornershop by Uber in Chile

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# Overview

## Acquisition of Cornershop by Uber

- Uber: food delivery (and ride-sharing)
  - Multiple-sided platform: (i) restaurants, (ii) delivery people and (iii) final consumers
- Cornershop: grocery delivery
  - Multiple-sided platform: (i) supermarkets, (ii) shoppers (delivery) and (iii) final consumers

## Main theories of harm

- Horizontal theory of harm: elimination of a potential entrant
  - Intention of Uber to independently enter the grocery delivery market
- Conglomerate theory of harm: possibility of using loyalty programs to leverage a strong market position from one market to another

# Overview

## **Case with features of a digital market**

1. Market definition: platforms and one-sided alternatives
2. Horizontal effects: removal of potential competition
3. Dynamic component: the role of indirect network effects in potentially “amplifying” the effects of certain conducts

# Relevant Market: Platforms and One-sided (online) Alternatives

## **Differentiation of the service provided by Cornershop**

- Direct communication with shopper
- Higher average ticket size (compared to other platforms)
- Shorter delivery times (compared to supermarket chains)

## **Consumer survey**

- Hypothetical scenario of unavailability of Cornershop
  - Users would mainly switch to supermarket chains: both online and brick-and-mortar
- A large fraction of users had tried different supermarket chain apps and sites

## **Covid-19 lockdowns viewed as a sort of “natural experiment”**

- Acceleration of investments by supermarket chains (e.g., opening of dark stores)



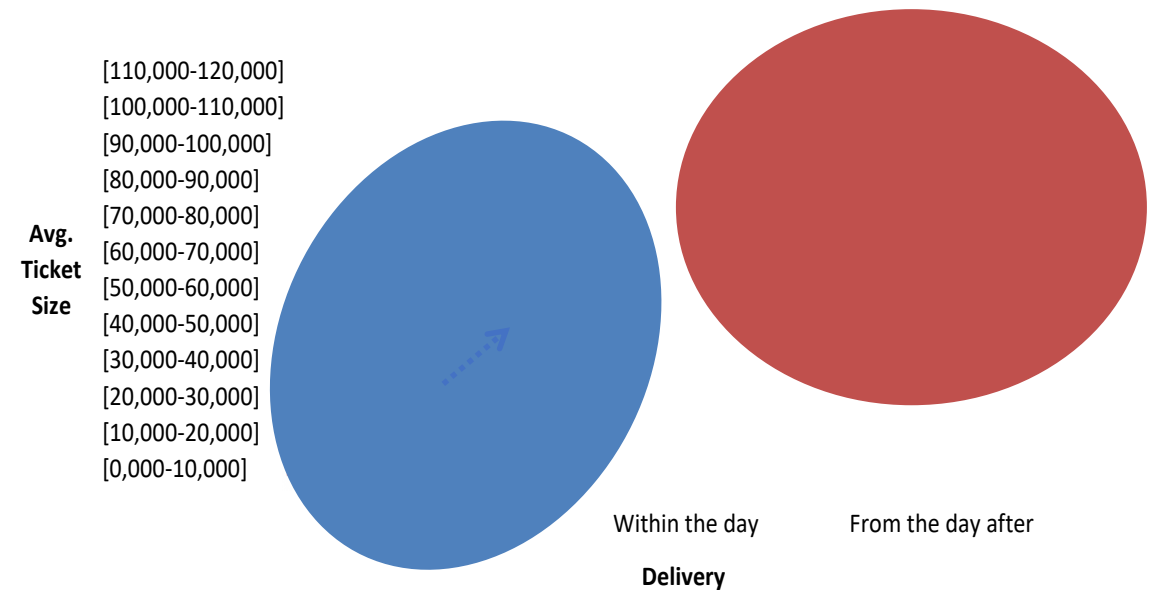
# Elimination of a Potential Entrant

## Uber would enter as an independent alternative to Cornershop

- Pilot project with Uber Eats interface in one supermarket chain
- Evidence of grocery delivery in other countries

## Expected positioning (in the short run) similar to competing platforms

- Existent (platforms and one-sided) alternatives would discipline the merged firm to a sufficient extent
- Supermarket chains have certain competitive advantages: control of inventory, relationship with suppliers (scale and discounts), loyalty programs (link online and brick-and-mortar sales).
- Alternative platforms are expanding their services as well (e.g., dark stores)



# Dynamic Component linked to Indirect Network Effects

## Indirect network effects may generate spiral effects between the different sides of a platform

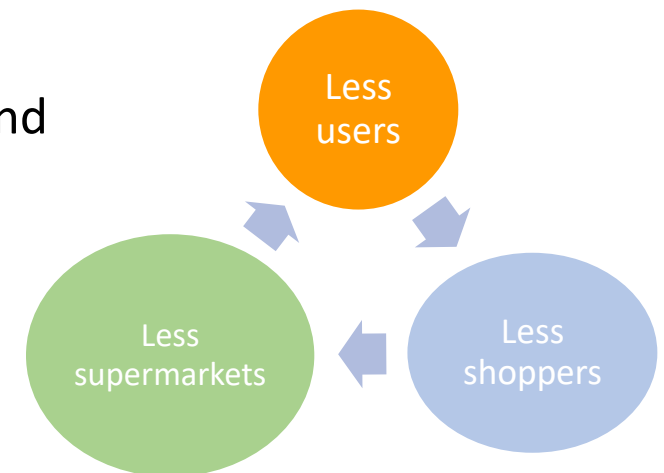
- Strategies aimed at raising rivals' costs in one side may affect the competitiveness of a platform in its other sides as well

### How relevant are indirect network effects in this market?

- Simple test: There is no positive correlation between platform sales and number of supermarket chains on board

Platform	Sales (M CLP)	Supermarket Chains on Board
Cornershop	[150,000-160,000]	Jumbo, Walmart
Rappi	[5,000-10,000]	Jumbo, Tottus, Unimarc
PedidosYa	[0,000-5,000]	Jumbo, Tottus, Unimarc

- Supermarket chains would not benefit from a highly concentrated platform market: a platform may become a direct competitor
- Elements that may reduce the prob. of tipping: (i) multi-homing, (ii) product differentiation, and (iii) capacity constraints (see Haucap 2019)



# References

1. Decision of the FNE on the Uber/Cornershop Case (in Spanish), last visit on September 4<sup>th</sup>, 2020: [https://www.fne.gob.cl/wp-content/uploads/2020/06/inap2\\_F217\\_2020.pdf](https://www.fne.gob.cl/wp-content/uploads/2020/06/inap2_F217_2020.pdf)
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4. Haucap, J., Competition and Competition Policy in Data Driven Economy. Intereconomics, 2019, Vol.54, N<sup>o</sup>4, pp. 201-208, last visit on September 4<sup>th</sup>, 2020: <https://www.intereconomics.eu/contents/year/2019/number/4/article/competition-and-competition-policy-in-a-data-driven-economy.html>