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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Working Party No. 3 on Co-operation and Enforcement

Methodologies for Conducting Market Studies – Note by Romania

20 June 2017

This document reproduces a written contribution from Romania submitted for Item 2 of the 125th meeting of the OECD Working Party No. 3 on Co-operation and Enforcement on 20 June 2017.

More documents related to this discussion can be found at www.oecd.org/daf/competition/market-study-methodologies-for-competition-authorities.htm

Please contact Ms. Despina Pachnou if you have any questions regarding this document [phone number: +33 1 45 24 95 25 -- E-mail address: despina.pachnou@oecd.org].

JT03414931

Romania

1. Nowadays, there is a need of more thorough investigations and analyses that translate to the degree of knowledge one authority has over a particular market or segment of the market. To reach a better understanding of a particular segment or in order to assess the effect one practice has on the market, the Romanian Competition Council (RCC) strongly make use of market studies.

2. Such market studies are often used in the analysis made in the statement of objections in regard to infringement cases, during sector inquiries, or in the analysis of mergers effects on certain markets. In its activity, the Romanian Competition Council uses two types of market studies. These are:

- Market studies that are conducted in-house
- Market studies that are conducted by using the help of a third party.

3. There are certain differences between the market studies that are conducted in-house and the ones that are externalized. One of the key differences is cost. Cost, of course, is also included in the performance of in-house market studies. There is the cost with the employment of the RCC staff. But the cost of externalized market studies is more visible. Other difference is the target of the market study. The RCC mostly targets undertakings, by sending formalized requests for information. The market studies that are conducted by independent firms mostly target individuals/consumers.

1. Market studies that are conducted in-house

4. RCC often uses its own resources to conduct relevant market studies. RCC has a network of regional offices, in all 41 counties of Romania. The work of the teams of competition inspectors from the regional offices is coordinated from the headquarters. Usually, a questionnaire is sent to a sample of target companies, with the support of our local representatives. The companies must answer because the questionnaire is treated like a formal request for information. This is very helpful, because this way the rate of non-response is low. The statistical research is carried out at local or national level. When the analyzed collectivity is very large, its exhaustive research is very difficult, if not impossible. Therefore, in order to study the characteristics of a very large collectivity, statistical surveys are generally done. After processing the data obtained, we estimate the parameters corresponding to the total collectivity we want to know by using the principles of the probability theory.

5. Sample surveys are conducted in two stages:

1. A sample is collected from the general collectivity, from which the data required for the research is collected and processed; Based on these data, various derived indicators (average sizes, relative sizes, indices etc.) are calculated.
2. The indicators obtained by processing the data in the sample are expanded, with a certain probability, to the whole community, in order to characterize it from a statistical point of view.

6. In the sample survey, particular attention should be paid to the representativeness of the chosen sample. A sample is considered to be representative when:

- It reproduces in its structure the same structure as the general collectivity.
- The volume of the sample is large enough to allow for high sensitivity indicators (which can be guaranteed with a specific probability and have a certain maximum permissible error).
- For the determination of the sample volume, the following calculation formula is used:

$$n = \frac{z_{\alpha}^2 p(1-p)}{\Delta_x^2 + \frac{z_{\alpha}^2 p(1-p)}{N}};$$

N - volume of the sample;

z_{α} - the Laplace function argument (for a probability of 90% its value is 1.65);

$p(1-p)$ characterize the homogeneity of the general collectivity whose alternative characteristics are studied; where the degree of homogeneity of the total population is not known, the maximum value of this product is used (i.e. 0,25), which is the lowest in the population with the lowest homogeneity level;

Δ_x - maximum permissible error;

N - volume of general collectivity (total population).

7. The lists are sorted according to a random criteria and a step of a random number is used to extract the sample (if a step of 10 is used, each of the tenth company in that list is selected).
8. RCC conducted in-house market studies on the following sectors: pharmacies, banking services and insurance, the impact of reduction of VAT on modern trade etc.
9. One of the most recent market studies was conducted in the context of the sector inquiry on pharmaceuticals that ended this year.
10. The questionnaire contained questions about:
 - The average number of distributions from which a pharmacy was supplied during 2011-2013.
 - The average value of discounts received and granted over the same period, broken down into innovative drugs vs. generic drugs.
 - Effects at the pharmacy level caused by the change in the distribution systems of some producers, in terms of payment terms, discounts received, guarantees required and availability of medicines.
 - The advantages and disadvantages of the three types of distribution (classic, restricted and direct) from the point of view of a pharmacy.
 - A multiple-choice question about the drug consumption situation in Romania.
 - Identification of the drugs that the pharmacy would like to sell / have taken measures in order to sell, but they are missing from the market / from the stock of distributors.
 - Estimating the percentage of patients that come at the pharmacy with the prescription filled in on the active substance and requesting the release of a given commercial designation.
 - The way the pharmacy behaves when the prescription is written on the active substance and the patient asks for a certain commercial name.

11. The total number of pharmacies in Romania is 7 264, out of which 4 829 in the urban area and 2 435 in rural areas.
12. Initial sampling dimensioning was performed for a maximum admissible 4% error and 90% probability guarantee results.
13. The next step was to send requests for information containing the questionnaire to be completed with the 403 pharmacies in the country.
14. Of the 403 pharmacies, valid answers were received from 335 pharmacies. Thus, a resized sample was performed, calculating the new maximum permissible error, incorporating only valid responses. A maximum admissible error of 4.40% resulted. This means that, for the final sample of 335 pharmacies, the results can be extended to the entire community with a maximum error of 4.40%.
15. RCC often conducts non-statistical studies, by sending request of information to the most relevant companies in a sector. Another type of study RCC can conduct is by means of the RCC website, where consumers can fill out a questionnaire on a certain topic.

2. Third party market studies

16. The main benefit that third parties bring is their independence and impartiality, thus making the results of studies hard to be contested.
17. Also, an important aspect is that companies that conduct market studies can get statistical relevant answers by surveying people/consumers. The RCC doesn't have those resources and expertise.
18. To contract a market study from a third party, RCC has to make a request for public acquisition. A formal specification request is drafted and published. Often, there is more than one company that enlists in this procedure, and the one that offers the best price and best conditions wins. A mark is given to each of the companies based on the indices from the specification request. Those indices that make the up the final mark can be related to price, margin of error, time, volume of sample etc.
19. The most recent market study that RCC commissioned was on the retail sector – “Consumer behavior and factors influencing the decision to buy consumer goods”. Its main objective was to assess whether there is a need for a change of perspective regarding relevant market definition on the food retail sector.
20. Other aspects that were considered:
 - the level of expenses and the frequency of acquisitions
 - the most frequented supermarkets
 - the time it takes to reach a certain type of store
 - online shopping
 - promo offers
 - private label
 - the importance of price in the acquisition process
21. The procedure started in September last year. A company was selected from a total of six that submitted offers, and RCC drafted the required questionnaire with the company's help and expertise.

22. The questionnaire was composed of 40 questions related to the food retail market. Also, in the questionnaire a number of eight questions relevant to the socio-demographic data of the respondents were included. The sample of the community was selected to be 1 200 people and the margin of error was 2.89%.

23. The company submitted the final report at the end of last year. This final report contained the answers to the questions and the raw interpretation of the results.

24. Following this report, RCC organized a working group that is currently analyzing the results in view of the competition law. One of its objectives is to see if a different market definition has to be taken in account by RCC in its proceedings in the food retail sector.