

**English - Or. English**

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

**Working Party No. 3 on Co-operation and Enforcement**

**Methodologies for Conducting Market Studies - Note by Finland**

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*More documents related to this discussion can be found at [www.oecd.org/daf/competition/market-study-methodologies-for-competition-authorities.htm](http://www.oecd.org/daf/competition/market-study-methodologies-for-competition-authorities.htm)*

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## *Finland*

### **1. Information gathering**

1. The Finnish Competition and Consumer Authority (FCCA or “we” later on) have no formal guidelines on how to perform a market study. Therefore, and for the purposes of this answer, we will regard any and all research projects that are not related to enforcement actions as market studies. In information gathering practicality is emphasized. Usually some kind of background research or otherwise formed impression on potential non-functioning of markets precedes a more thorough research. However, there is no rule or policy of what kind of concerns should lead to further research. The FCCA is publicly funded and guided by Ministry of Economic Affairs and Employment. Government policy and public concerns may initiate a market study. Also the FCCA participates in joint research projects with other Nordic competition authorities. In those cases it is the gathering of respective Director Generals which decides what markets (or phenomenon) are to be studied.

2. Financial statements of undertakings, informal interviews and publicly available reports or other written documents form the bases of background information gathering. In some studies they are also enough to make conclusions and no quantitative information is necessary. Telephone or internet based surveys are quite typical forms of information gathering in our market studies. Sometimes same kinds of surveys are used in merger control, but rarely in other enforcement actions. Background information is often helpful in formulating the survey questions.

3. There are two laws which allow the FCCA to use compulsory orders in gathering information for market studies. According to the Act on Competition and Consumer Authority, the FCCA conducts researches, investigations and comparisons in its field. This clarifies that conducting market studies is one of the tasks the FCCA has. However, there is no obligation to do so nor there are any formal requirements to market studies. In the same act, undertakings are put under an obligation to give information concerning retail prices to the FCCA for the purposes of above mentioned studies. In the Competition Act undertakings are obliged to give all necessary information for the purposes of (besides enforcement purposes) investigating competition conditions. Together these two laws grant adequate investigative powers to the FCCA. In practice, only inspections on the business and other premises of undertakings separate enforcement actions from market studies in respect to investigative tools.

### **2. Information analysis**

4. The usual methodologies for analyzing survey data include descriptive statistics and cross tabulations. Correlation analysis and regression analyses are also common methodologies, when survey questions allow using them in any meaningful way.

5. It is more usual to estimate or assess undertakings profitability and other key financial figures in enforcement actions than in market studies. So far the focus of market studies has been in effects to consumers and their behavior, so the FCCA has not carried out simulations or other heavy econometric tools in market studies.

6. As we don't have any formal guidelines concerning how to conduct a market study, it is up to the research team how to weigh contradictory evidence. Interpretation of qualitative information is the main and leading method to form conclusions. In our experience, it is not very common to have strongly contradictory evidence from different sources. In one case, however, the signals and messages that our enforcement units had had, implied problems with competition in insurances for transport industry but background research (interviews) and survey to undertakings led us to the conclusion that actual problem might be in the behavior of undertakings. No follow-up actions were made in that case.

### 3. Case studies

Following case examples represent the ways we decide what are the markets to study and how we gather information.

#### 3.1. The impact of grocery chains customer loyalty programs on consumer's shopping behavior

7. This study was part of a broader inquiry that was launched at the turn of 2013 – 2014. In the beginning of 2014 came into force section 4a of the Competition Act, according to which every undertaking or association of undertakings which have at least 30 % market share in the grocery store retailing shall be deemed to have a dominant position. It was also part of the FCCA's and Ministry of Economic Affairs and Employment's action plan to investigate, whether the strong negotiation power of dominant grocery retailers have negative effects on competition. The focus of this part of the inquiry was to find out what kind of effect does customer loyalty programs have on consumers' behavior.

8. The study was conducted using a consumer survey. The survey was responded to by 1009 Finnish consumers, aged between 18 and 74. The survey included questions regarding the amount of money used monthly on grocery shopping, the frequency of shopping and the stores visited as well as attitudes towards loyalty program schemes and their impact on shopping behavior. The data was collected in May 2014 via an internet questionnaire by market research company Taloustutkimus Oy.

9. Taloustutkimus Oy delivered both raw data and data weighted according to gender, region and age group. The data was analyzed using descriptive statistics, correlation analysis and logistic regression analysis.

10. The consumers participating in the survey could be divided into three different categories: those who concentrated more than half of their shopping in the K Group, those who concentrated more than half of their shopping in the S Group, and those who decentralized their purchases and did not concentrate more than half of their shopping in any specific trade group. Both the K Group and the S Group have a dominant position due to section 4a of the Competition Act.

11. The attitude of each category towards customer loyalty programs was analyzed separately. Analysis of the data revealed clear and significant differences between the different groups. Those who concentrated their shopping in the K Group stores attached the most importance to product offers and the convenience of the store location, while those who concentrated their purchases in the S Group stores attached the most importance to concentrating their shopping within the same trade group and store loyalty.

Shoppers who decentralized their purchases, on the other hand, based their choice of store on its special offers and cheap prices.

12. The different groups also differed clearly in respect to factors related to customer loyalty programs. The survey results show that consumers who concentrated their shopping in the K Group appreciated reduced prices and advertising targeted at the customers of loyalty programs more than a monetary reward for concentrating purchases. Those who concentrated their shopping in the S Group were more inclined to concentrate their purchases in the same trade group. They considered a monetary reward for concentrating purchases important and were also prepared to increase their purchases in pursuit of the next bonus tier. Consumers who were loyal to the S Group also appeared to take advantage of the loyalty program benefits offered by the partners of the trade group more often. This was particularly evident in the use of service station and restaurant services. The shopping behavior of consumers who decentralized their purchases was primarily guided by the reduced prices of loyalty programs, while a monetary reward received afterwards was not important to them.

### **3.2. Waste market researches**

13. This case example is actually two related studies, one concerning market conditions in municipal solid waste markets and another focused on competition in waste management in the Nordic countries. Below is short description of both studies.

### **3.3. Municipal solid waste markets in Finland**

14. This study was launched as a response to the need for investigation set out in the government program for promoting healthy competition and based on the annual agreement between the FCCA and Ministry of Economic Affairs and Employment. The information gathering consisted of two rounds of internet surveys targeted to both municipal waste management corporations and private waste management companies. The Regional State Administrative Agencies delivered the questionnaires and were also otherwise actively participating with the FCCA in this study. The purpose of the first stage was to get a general idea about what the actors in this sector thought about competition conditions and what are the main problems to competitive neutrality. In the second stage a more detailed questions about specific themes based on the answers in the first stage were asked. We used compulsory orders during the information gathering and we also made it clear that the investigation was not about enforcement action and no undertaking was suspected to have violated competition laws.

15. There were no findings of activities against competition law. However, the study gave a lot of useful information which has aided the FCCA to form its opinions, when taking part in the work of strategic working group of waste management industry and commenting on national waste plan and Waste Act reform.

### **3.4. The joint Nordic research concerning waste management.**

16. In September 2014, a waste management workshop was held at the annual meeting of the Nordic competition authorities. Following the discussion at the workshop, the DG's of the Nordic competition authorities decided that waste management should be the subject of the next joint research project. The working group consisted of 23 members from 7 competition authorities.

17. In order to find out what similarities and differences there are in waste markets and waste politics between the Nordic countries, two questionnaires to national competition authorities were composed together and answered by every country separately. Information was also gathered from literature review, analysis of reference documents and from compilation of national waste statistics. The FCCA used compulsory orders when asking major waste management undertakings their volume data. No formal analysis of the data was made, but simple quantitative indicators were used to compare market sizes between Nordic countries.

18. The study was mainly comparative and benchmarking in nature. The outcome of the study was a list of recommendations how to increase societal benefits through an increased and improved competition in waste management. After the publishing of the report, several Nordic competition authorities have used the findings and recommendations in their advocacy work.

### 3.5. The banking services survey

19. The study investigated consumers' views and experiences of the availability of the most common banking services. Financial Supervisory Authority (FIN-FSA) is required to monitor and report availability of banking services. Its report is based on the information it gathers from banks and other authorities. Since banking services are essential to consumers the FCCA decided to complement FIN-FSA's report. The FCCA investigated the way in which consumers use the most common banking services and their opinions on changes in such services. Tasked with performing the survey, a market research company TNS Gallup conducted telephone interviews with a thousand people aged 18 to 84 in May and June 2015. As the respondents represented the sex, age and living location distribution of the Finnish population, the results can be regarded as accurately reflecting the opinions of the Finnish people.

20. The FCCA also investigated banks' view on the changes in banking services. Furthermore, we asked them for information on telephone banking services and the pricing of customer service desks. This was done via an electronic survey sent to 242 banks in August 2015. A total of 147 banks participated in the survey.

21. The quantitative data was analyzed using descriptive statistics, cross tabulation, correlation analysis and variance analysis. The qualitative data, i.e. open answers, were classified and among it, we searched for interpretation to the quantitative results.

22. The survey indicates that consumers can be divided into two groups, according to whether they mainly use electronic or traditional services to take care of their everyday banking matters.

23. Most have embraced the digitalization of banking services, using online or mobile banking to pay bills and monitor their transactions. A total of 9 per cent – or some 400 000 members of the entire population – had no banking credentials.

24. More than half of the banks reported that consumers had as much opportunity to conduct their banking in bank branches as they had two years before. If changes had occurred, they involved shorter service hours or the closure of branches. Banks reported having improved their customer service by developing online services, online meetings and personal customer service appointments outside the traditional office hours.

25. Bank branch closures and the shrinkage of the ATM network had a particular impact on people with no opportunity or capability to conduct their banking online, or who find online services difficult to use due to deteriorating memory or eyesight for example. Correspondingly, one in five respondents was unsatisfied with bank offices and also felt that cash withdrawals had become more difficult over the last five years.

26. One in three banks had increased the number of telephone services over the same period. However, the information provided by the banks revealed large variations in telephone services prices. Some banks used ordinary telephone subscriptions, while others had national service numbers that are more expensive for customers.

#### 4. Conclusions

27. The FCCA has no formal guidelines on how to conduct a market study. Surveys are very common, when the opinions of consumers are of interest. The Competition Act allows the FCCA to give compulsory orders to undertakings when gathering information. So far, we have not used simulations or other structural econometrics in our market studies.

28. Our market studies are usually published in Finnish in our own publication series and they can be found in our website (<https://www.kkv.fi/ratkaisut-ja-julkaisut/julkaisut/KKVn-selvityksia/>). Joint Nordic research reports are written in English and can also be found in our website (<https://www.kkv.fi/en/decisions-and-publications/publications/joint-nordic-reports/> and earlier studies <https://www.kkv.fi/ratkaisut-ja-julkaisut/julkaisut/arkisto/pohjoismaiset-yhteisraportit-2002-2010/>).