
THE USE OF MARKET STUDIES AS AN EFFECTIVE TOOL¹

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Ladies and gentlemen, Good morning: This presentation focuses on a market study that the Jamaica Fair Trading Commission carried out earlier this year. The study relates to the distributive trade and covers 13 basic food items including rice, flour, bread, chicken and mackerel. I will look at some of the key features of the market study tool and the benefits which they can bring.

The key features which I will highlight are:

- The study must have a clearly defined purpose;
- The importance and level of stakeholders' participation, which we found to be particularly critical;
- The method and sources of relevant data; and
- The issue of project management and what is required in this regard.

I will conclude with the main findings; and hope to demonstrate how we have used some of the key features of the market study tool and the benefits that can be had from properly organizing any market study project.

Towards the latter part of 2008, the Minister of Industry, Investment and Commerce promised the Jamaican consumers that there would be an overall reduction in food prices. This pronouncement

¹ This presentation was made at the 8th Annual ICN Conference, Zurich, Switzerland in the Plenary Session of the Advocacy Working Group on Market Studies.

was made in light of the gradual reduction in oil and other commodity prices. However when the promised price reductions did not take place, the Minister commissioned the FTC to carry out a study to determine why food prices were rising when input costs were falling; and also why there was no reduction in food prices. What we had witnessed was a steep increase in overall prices during the months when oil prices and other input prices skyrocketed. There was therefore an expectation that prices would have been reduced following the reduction in oil prices.

In addition to the Minister's objective, the FTC's purpose was to determine whether there are impediments to effective competition and also whether market players are engaged in anti-competitive practices.

The main method which we used to gather information from the market players was questionnaires. We found the process of designing and administering the questionnaires to be very time consuming and challenging. In addition to obtaining information from market players, we gathered data from public sources such as newspapers, published statistics and from other Government Agencies. However, the data from market players was critical as we needed answers on how prices are set.

While the FTC has the authority to obtain information it deems relevant to investigations and market studies, this tool was not used in this instance. Compelling market players to provide information through the Courts is likely to be very challenging and time consuming and for this study the timeline given to deliver our findings was relatively short. We therefore relied on the voluntary participation of the parties involved; and in most instances we were satisfied with the responses although some respondents did not provide all the data requested.

For this study, we collaborated with the Consumer Affairs Commission (CAC), our sister Agency responsible for consumer protection matters. They provided us with price data at the retail level, which they had been collecting for the past 5 years. The CAC had also been having structured meetings with market players for the past 4 years and they shared the minutes of those meetings with us; which also provided vital information on the functioning of the market.

Of note is that for most industries in Jamaica, independent sources of data are very limited and we are 'forced' to rely on the voluntary contribution from market participants. In many instances too

the market participants do not have the data that we need; and in some instances, not in the format in which we need it.

Some market participants questioned the validity of the information; the purpose of the study; and the relevance of the volume of information requested. This therefore provided us with an opportunity to educate the private sector about the work that we do and of how our work is important to the proper functioning of the market in which they operate, and by implication the benefits that may be derived from cooperating with us.

Project Management

Managing the study required:

- The development of a clearly defined scope of work;
- The organization of our limited human and financial resources in a way that they are used most efficiently, not only on this study but with respect to the other work that we are doing simultaneously; and
- Setting strict appointments with participants.

Ultimately, we developed the work programme to ensure that the report is delivered within the prescribed time.

Results of the Study

Firstly, the results of the study were that retail prices were not falling because:

- Average input prices were rising over the review period even though late in the period the international oil prices and commodity prices were falling
- There was a steady increase in electricity costs
- There were increases in variable costs
- The volatility of our exchange rate

While the study was completed within the specified time, we found that our time management needs some improvement.

With respect to the Market Study Tool developed by the ICN, we found that:

- It brings structure to the process;
- It exposes several aspects of the study which may need additional work or research
- With a clearly defined purpose:
 - it is generally easier to get players on board;
 - we are better able to manage our resources;
 - we are better able to identify gaps and other conduct which may be anticompetitive.

Having identified these findings and based on the reality that we have limited resources we concluded that there is a need:

- Firstly, for us to create a selection criteria for market studies and plan the ones that we will need to undertake each year in order that when called upon for a position with respect to a sector we may have already gathered some amount of useful information; and
- Secondly, for us to create a standardized internal process through which we can carry out these studies as effectively as possible.

Thank you.