

Abstract

The focus of this doctoral thesis is the empirical study of competition in the French food retail industry. It contributes to the better understanding of the workings of product differentiation in this industry, as well as the role played by entry regulations. Chapters 1 and 2 explore the issue of product differentiation, focusing on the role played by private labels. Chapter 3 deals with entry regulations and the distortions they create for competition between different store formats.

Chapter 1 concentrates on the effect that private labels can have on the behavior of consumers who do already part of their regular shopping at the store. By studying the relationship between the customer's purchases of the retailer's private labels and the share of his/her food expenditure that is spent at that particular retailer, it tests the belief that private labels are a way to increase loyalty. Results broadly confirm that it is the spread of private label purchases across several categories what tends to increase the loyalty to the retailer. This analysis also shows that unobserved characteristics of the consumers (such as income restrictions, risk aversion and the value of time) are more relevant to explain differences in the average loyalty to a store.

Chapter 2 develops a structural model of demand and supply in the competition between retailer chains. In the model, supermarkets compete in price and brand offer to attract consumers, in particular through the share of private labels versus national brands across all their products. Besides serving as a differentiation tool for the retailers, private labels may affect the marginal costs of all products for the retailer. Differentiation is taken into account by estimating a discrete-continuous choice model of demand where outlet choice and total expenditures are determined endogenously. First-order conditions, together with the demand parameters, are then used to derive marginal costs estimates and elasticities. The chapter concludes with a simulation of the effect of an increase in transportation costs for consumers on the equilibrium behavior of retailer chains.

Finally, Chapter 3 provides an estimate of the net effect of entry regulations, specially the

Raffarin Law, on the profits of French small independent stores. To do so, the study computes the increase in the entry costs of targeted formats (supermarkets and hypermarkets), as well as the consequent reduction in their retail outlets, that can be attributed to regulation. For smaller and unregulated retail outlets that also compete with small independents, the study additionally computes the change in outlets indirectly induced by regulation. Results show that entry regulations increased supermarkets's sunk costs a 6% after the entry into force of the Raffarin Law. The hypothesis that right-wing parties impose tighter entry conditions in their local markets is, on the contrary, not supported by the data.