

# THE CURIOUS CASE OF COMPETITION AND QUALITY



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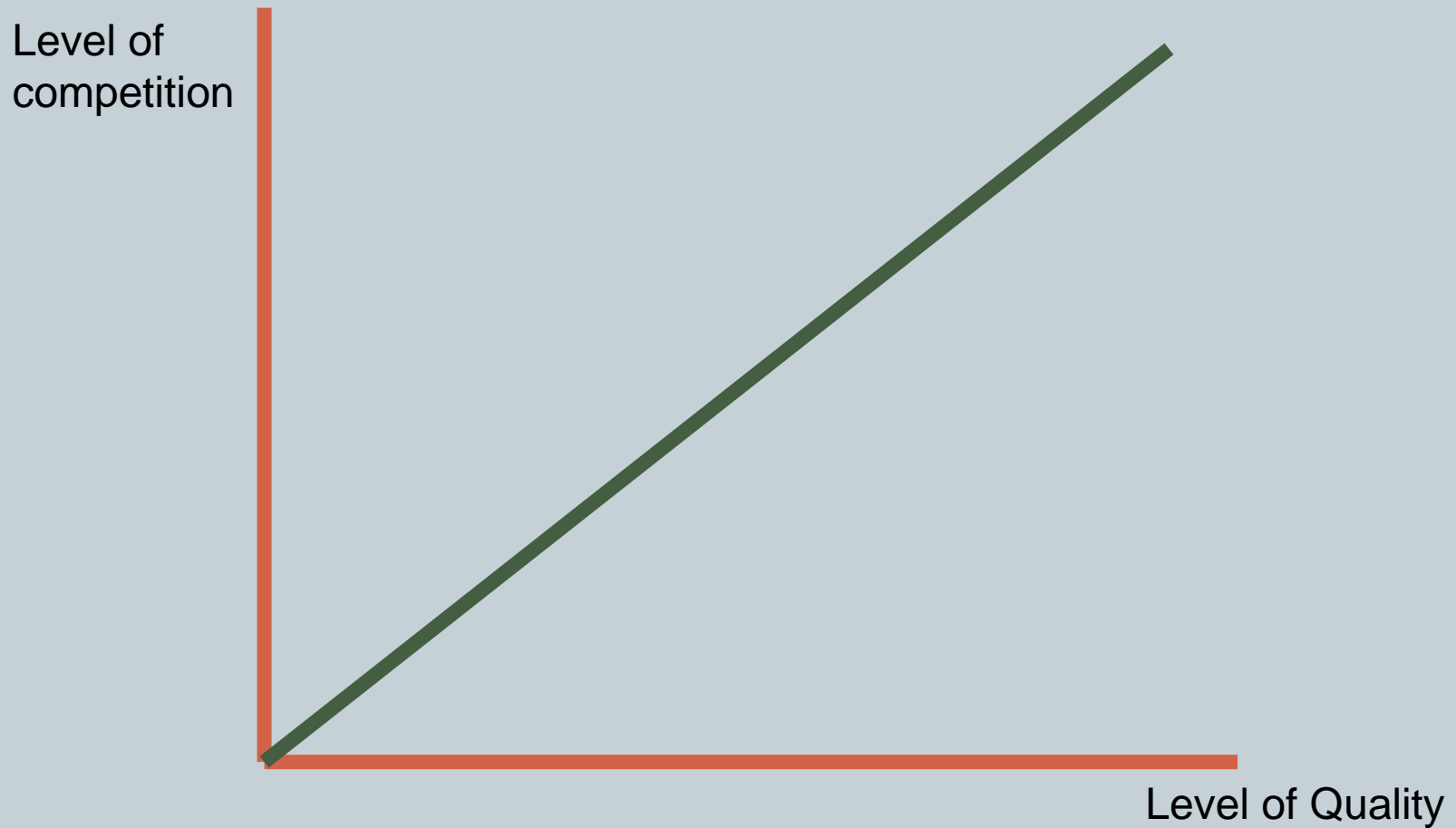
# Quality and Competition Enforcement

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- Measurement Difficulties
- Workable Assumptions:
  - More competition will generally increase quality for a given price or reduce price for a given level of quality.
  - When prices and quality vary, consumers will weigh the offerings using an internal price-quality metric

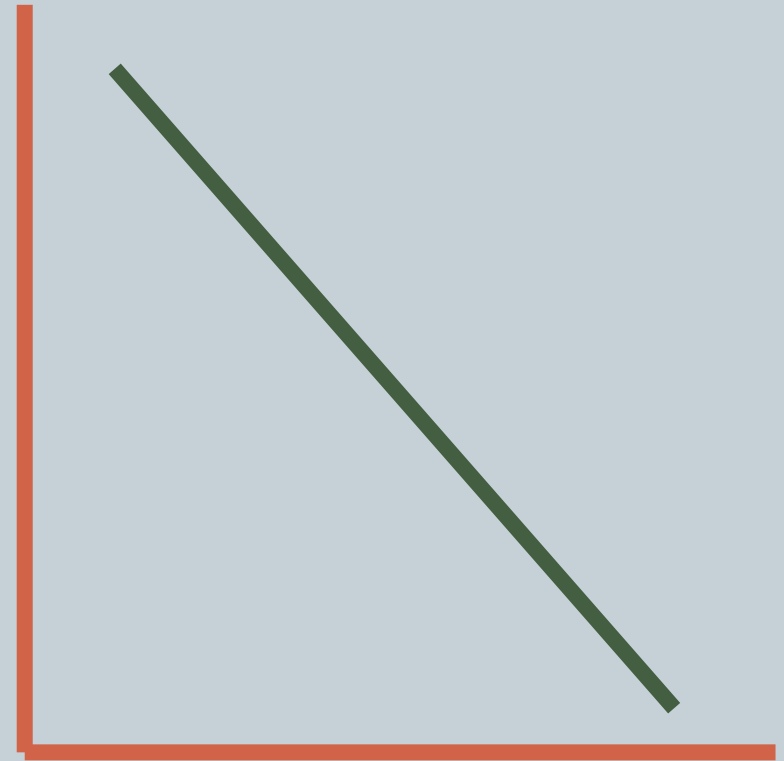
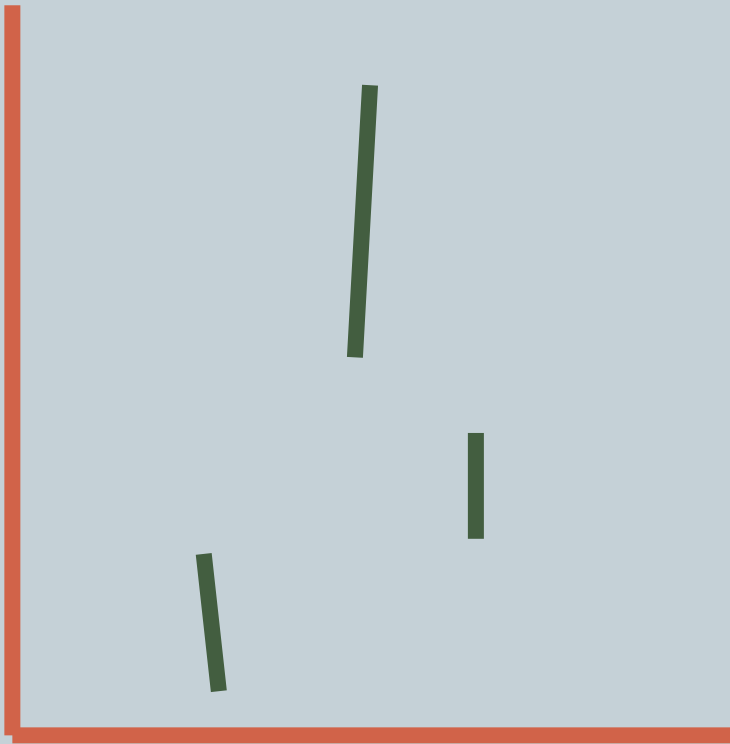
# Correlation between Competition & Quality

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# Limited or Negative Correlation

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*... Instances in which competitive pressure, while seemingly intense, does not deliver some, or the entire spectrum of benefits ...*

# Consumer's Ability to Evaluate Quality

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- **Starting Point –**
  - Rational consumers
  - No normative or social welfare argument.
  - Focus on the ability of the competitive process to deliver the desired quality attribute.
- **Experience Goods, Credence Goods**
  - Less likely in search goods
- **Deceptive and Misleading Advertising.**
- **Reassuringly Expensive.**

# The Producer's Perspective

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- Limited Investment in Quality.
- Communication Imperfections.
- Consumer Bias.
- Exploiting the Imperfect Market.

# Quality Degradation

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- Unique Circumstances.
- Conditions and Outcomes.
- Examples:
  - Private Labels
  - Locked in Customers – Care Homes and Hospitals
  - Airlines

# Concluding Remarks

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- Problem Markets.
- Policy Implications.
- Tools and Enforcement Capacity
- Regulation vis-à-vis Competition Enforcement