



The Hungarian Competition Authority is investigating beverage procurement

22 October 2020, Budapest - The Hungarian Competition Authority (GVH) has launched a sector inquiry to analyse the beverage procurement practices of domestic restaurants, pubs, and catering units, collectively known as the HoReCa sector. The market processes of the past years suggest that domestic players are especially hesitant to work with new supply partners and the expansion of their beverage product ranges is a cumbersome process. This phenomenon may lead to limited choice and higher consumer prices, thus causing harm to guests in the long run.

Based on the information available to the Competition Authority with respect to the HoReCa sector, the industry is tangled in a web of supplier agreements containing clauses that encourage catering units to offer the products of only a single or a limited number of undertakings to their guests. This phenomenon is typically advantageous only for beverage suppliers with a large portfolio and significant capital strengths, while serving as a barrier to entry for new suppliers and limiting the expansion of smaller Hungarian players. The Competition Authority has previously investigated such clauses in the beer market, and it is currently conducting a competition supervision proceeding in the market of soft drinks and other beverage products due to an alleged abuse of dominant position.

These processes may ultimately limit consumer choice and increase prices in Hungarian catering units. Such market practices may even prove harmful to the catering units themselves on the long term since the suppression of alternative sources of supply may reduce their ability to switch and increase their vulnerability. The COVID-19 pandemic, which is severely affecting domestic restaurants, pubs, and catering units, lends special significance to the issues in question.

In the course of the sector enquiry, the GVH will gain insight into the framework and system of conditions of the business relationships among beverage suppliers and domestic catering units, as well as the typical characteristics of the distribution practices prevalent in the HoReCa sector. The Competition Authority will explore the strategies and business practices of the market players, as well as the effect of these strategies and practices on consumer welfare and the prices applied. The sector inquiry, which will be based on mandatory submission of data, will cover the distribution of both the alcoholic and non-alcoholic beverage categories within the HoReCa sector.

The undertakings of the relevant market sector are obliged to cooperate with the Competition Authority during the sector inquiry, which the Authority will conclude by issuing a public report. If the sector inquiry detects any market distortions, in order to remedy such distortions, the GVH may either launch a competition supervision proceeding, or publish non-binding recommendations for the market players, or make a signal to the competent legislative body .