

# COFECE rejects Walmart's acquisition of Cornershop

27 June 2019 | Contributed by [SAI Law & Economics](#)

## Introduction

## Facts

## COFECE's decision

## Comment

### Introduction

On 5 June 2019 the Federal Economic Competition Commission (COFECE) issued a press release announcing that it had rejected Wal-Mart International Holdings, Inc's (Walmart's) proposal to acquire Delivery Technologies, S de RL de CV (Cornershop).

According to the press release, the COFECE rejected the acquisition in light of the potential risks that it posed to competition and free market access.

### Facts

Walmart is a multinational corporation whose main activities are the management and operation of supermarkets, membership stores, pharmacies and online stores, among others. It is one of the leading supermarket and retail brands in Mexico.

Cornershop is a Mexican company which showcases, sells and delivers products offered by other retailers through its internet platform and mobile app. Its services are available in a number of Mexico's main cities, including Mexico City, Monterrey, Guadalajara, Puebla and Cancun.

Walmart planned to acquire all of Cornershop's issued shares in both Mexico and Chile. According to Walmart, the aim of this international transaction was to accelerate the corporation's omnichannel capabilities and growth in Latin America.(1)

Notably, on 11 January 2019 the Chilean National Economic Prosecution Office approved Walmart's acquisition of Cornershop's issued shares in Chile without imposing any conditions. According to the competition authority, the acquisition posed no foreseeable substantial risk to competition, given the market's dynamism and size and the fact that Cornershop provided its services predominantly to Walmart.(2)

### COFECE's decision

After concluding its analysis, the COFECE determined that the acquisition, as originally proposed, was likely to have the following effects:

- Cornershop could refuse to provide access to its platform to agents that competed with Walmart.
- Walmart could refuse to sell its products through other internet or mobile platforms which competed with Cornershop.
- The new economic agent which resulted from the conclusion of the acquisition would have access to strategic commercial information that Walmart's competitors provide to Cornershop in order to access its platform, which could lead them to cease using said platform.

In response to the above findings, Walmart and Cornershop submitted a series of remedies to the COFECE, pursuant to Article 90 of the Federal Economic Competition Law, in order to mitigate the aforementioned risks. However, the COFECE determined that the proposed remedies were insufficient in this regard and thus rejected the acquisition.

According to the COFECE's press release, once its decision has been notified to the parties, they may

## AUTHORS

[Lucía Ojeda Cárdenas](#)



[Felipe García Cuevas](#)



appeal it through an *amparo* trial before the specialised courts.

## Comment

This case is significant as it is the first merger review case in which the COFECE has analysed vertical concentrations involving digital platforms. Parties should look out for future decisions in this context in order to better understand how the COFECE:

- analyses relevant markets (especially the extent of their definition and whether it considers the multiple side markets and dynamism of digital platforms);
- evaluates risks to competition and free market access with regard to the vertical integration of platforms;
- identifies potential theories of harm to competition as a result of potential vertical integration;
- analyses gains in efficiency generated by platforms and incentives for innovation; and
- determines which types of remedy could prevent possible risks to competition and free market access.

*For further information on this topic please contact [Lucía Ojeda Cárdenas](#) or [Felipe García Cuevas](#) at SAI Consultores SC by telephone (+52 55 59 85 6618) or email ([loc@sai.com.mx](mailto:loc@sai.com.mx) or [fgc@sai.com.mx](mailto:fgc@sai.com.mx)). The SAI Consultores website can be accessed at [www.sai.com.mx](http://www.sai.com.mx).*

## Endnotes

- (1) Walmart's announcement on the proposed transaction is available [here](#).
- (2) The Chilean National Economic Prosecution Office's decision is available in Spanish [here](#).

---

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).