



Disruptive innovations in Latin America & the Caribbean

Lynn Robertson, OECD Competition Division



Overview

1. What is disruptive innovation?
2. Recent disruptive innovations in the region
3. Competition enforcement challenges
4. Advocacy opportunities

WHAT ARE DISRUPTIVE INNOVATIONS?



Defining disruptive innovation

- New products, processes or business models that **redefine a market** and displace incumbent firms.
- Come from outside a market's value network



Disruptive vs. incremental innovation

Incremental



Disruptive



Common characteristics of disruptive firms

- Smaller firms (including new entrants)
- Use of mobile technologies
- Value proposition:
 - Bypass intermediaries
 - Reduce unnecessary costs
 - Avoid regulations

RECENT DISRUPTIVE INNOVATIONS IN LATIN AMERICA AND THE CARIBBEAN



Taxis/mobile car-hailing



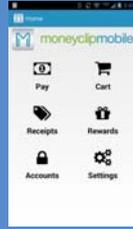
EASY TAXI





Financial services

Cash processing



International remittances



Lending/ credit ratings



Lenddo



COMPETITION
ENFORCEMENT
CHALLENGES



Enforcement challenges

- Disruptive innovation poses a few challenges for enforcement:
 - Market definition
 - Two-sided markets
 - Incumbent acquisitions of disruptors
- But many concerns will be similar to the typical ones authorities encounter every day



Market definition

- Markets subject to disruptive innovation:
 - Change quickly
 - Have blurred boundaries
- There are a few proposed approaches to dealing with this:
 - Consider business models
 - Recognise non-price competition (e.g., user traffic)
 - Take into account unique national characteristics

***The bottom line:** rules of thumb won't work – authorities must apply traditional tools with an awareness of what they try to achieve*



Two-sided markets

- The popularity of online platforms could mean competition authorities will be faced with these markets more often
- Need to consider indirect effects of actions in one side of the market on the other
 - *Cannot just treat each side as a separate market*



Incumbent acquisitions of disruptors

- Harmful to competition if these acquisitions deprive consumers of the benefits of innovations
- Alternative detection methods for these transactions – e.g., high multiple of revenue
- How to analyse competitive impacts of disruptor acquisitions?
- Post-transaction compliance



Typical competition concerns

- **Authorities are likely to continue to face typical concerns with respect to:**
 - Incumbents preventing disruptors from accessing essential facilities/supply foreclosure
 - Disruptors becoming dominant
 - Use of the “but Amazon” defence

ADVOCACY
OPPORTUNITIES



Regulator response to disruptive innovation

- Potential for regulators defaulting to barring disruptors from market. E.g. Uber:

Jurisdiction	Regulator response	Competition authority advocacy
Brazil	Yellow	Green
Chile	Red	
Colombia	Yellow	
Costa Rica	Red	Green
Dominican Republic		Green
Mexico	Green	Green
Panama	Red	
Uruguay	Red	



Advocacy opportunities for regulators

Market studies and disruption monitoring

- Both traditional market studies and early-stage consultations
- Efforts to identify potential market disruption (challenges, and questions regarding necessary resources)

Providing feedback on potential regulations

- Advocating for competition in response to potential new regulations/application of existing regulations to disruptors
- OECD Competition Toolkit can help

Facilitation of regulator/disruptor relationship

- Ensure disruptors aware of competition law protections
- Promote collaborative relationship between regulators and disruptors in order to:
 - Avoid controversy leading to stifling of competition
 - Encourage review of competitive impacts of current regulations



THANK YOU

