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The government's anti-monopoly agency (Comision Federal de Competencia, CFC) has again cited Grupo Coca-Cola (GCC) and 89 bottling affiliates for violating the country's competition regulations. In a ruling announced in early March, the CFC directed the soft-drink bottler to discontinue its exclusivity contracts and barred the company from continuing some of its sales and marketing practices in Mexico.

The CFC did not levy any fines on the company. The ruling concludes an investigation begun in 2000, following complaints by Pepsi-Cola Mexico, Grupo Mundet, and Grupo Aga, which contended that exclusivity contracts helped GCC and its affiliates lock competitors out of entire zones of Mexico (see SourceMex 2000-08-16).

The exclusivity contracts offered discounts and merchandise to retailers on the condition that they exclusively sell Coca-Cola products. This is the second major CFC ruling against GCC in recent years. In 1999, the agency blocked the company's plan to assume the Mexican assets of competitor Cadbury-Schwepps (see SourceMex, 1999-05-05).

GCC, whose principal bottler is Coca-Cola FEMSA, is planning to appeal the CFC ruling within a 30-day period allowed under anti-trust regulations. "We will prove to the CFC that we have not engaged nor do we plan to engage in unfair trade practices," said Rodrigo Calderon, GCC's vice president for external affairs.

Calderon noted that the CFC ruling applies only to the company's sales at retail outlets and will not affect operations at restaurants, bars, hotels, cinemas, and stadiums. Jeff Kanter, an analyst at Prudential Securities in New York, agreed the CFC ruling would probably not hurt Coca-Cola in the near term because of its dominant market share.

"When you're the Microsoft of sodas, people are going to come after you from time to time," Kanter told Reuters. "But the company still has a powerful platform." Mexico is the second-largest market for Atlanta-based Coca-Cola Co., surpassed only by the US. Soft-drink and beverage sales in Mexico are estimated at US$5 billion annually, according to the government's statistics agency (Instituto Nacional de Estadistica, Geografia e Informatica, INEGI). [Sources: Associated Press, 03/07/02; Reuters, 03/07/02, 03/08/02; La Jornada, Reforma, 03/08/02; La Cronica de Hoy, 03/08/02, 03/11/02]

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