

**CONSUMER UNITY & TRUST SOCIETY**

# **What is the CREW Methodology? How to Apply it?**

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## **Guidance Note on the CREW Research Methodology**



**CUTS International**

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## 1. Introduction

1.1 The project entitled *Competition Reforms in Key Markets for Enhancing Social and Economic Welfare in Developing Countries* (CREW project, <http://www.cuts-ccier.org/crew/>) has been implemented by CUTS since Nov 2012. One of the aims of this project was to develop an approach/methodology to help (state and non-state actors) appreciate **benefits of competition reforms<sup>1</sup> on consumers and producers** in developing and least developed countries.

1.2 The need for this emerged, given the fact that limited resources and attention has been invested by developing country policymakers on promoting competition in key sectors as a means of achieving crucial developmental goals. Other stakeholders are also often unable to appreciate the power of fair competition. Therefore, while a number of countries have adopted national competition laws, the process of competition enforcement has remained weak. CUTS believed it was necessary to demonstrate how competition reforms can result in social and economic welfare in developing countries - hence the need for this methodology.

1.3 With support from DFID (UK) and BMZ (Germany) facilitated by GIZ (Germany), CUTS has implemented this project to fill this 'need'. Ghana, India, Philippines and Zambia were selected as pilot countries to gather evidence from *Staple Food* and *Bus Transport* sectors, for developing this methodology.

## 2. Overview of the Methodology

2.1 This methodology is simple, yet robust and takes into consideration some of the unique characteristics of developing and least developed countries. This section presents an overview of this methodology, especially for interested practitioners or experts (especially from developing and least developed countries), who are interested in applying this methodology in a specific sector.

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<sup>1</sup> The project has derived a working definition of **competition reforms** as an aggregate of the following components: (i) Enabling government policies designed to facilitate a level playing field (fair competition) in a sector, (ii) Well-designed regulatory framework, adequately resourced regulatory institutions & effective actions for promoting fair competition in a sector, (iii) Well defined competition legislation and effective enforcement mechanisms. Five elements of competition reform were considered: Policies, Laws, Statutory Instruments, Sectoral Programs and Practices

2.3 As explained above the aim of this methodology is to explain the below link (in a particular sector/ key market):

**Competition Reforms**  **Producer and/or Consumer Welfare**

2.4 In order to appreciate how this methodology is developed, it is necessary to break-down the above key terms as follows:

(i) **Competition Reforms**: is an aggregate of the following components:

- Enabling government policies designed to facilitate a level playing field (fair competition) in a sector
- Well-designed regulatory framework with an adequately resourced regulatory institutions
- Presence of a competition law and the effective enforcement mechanisms

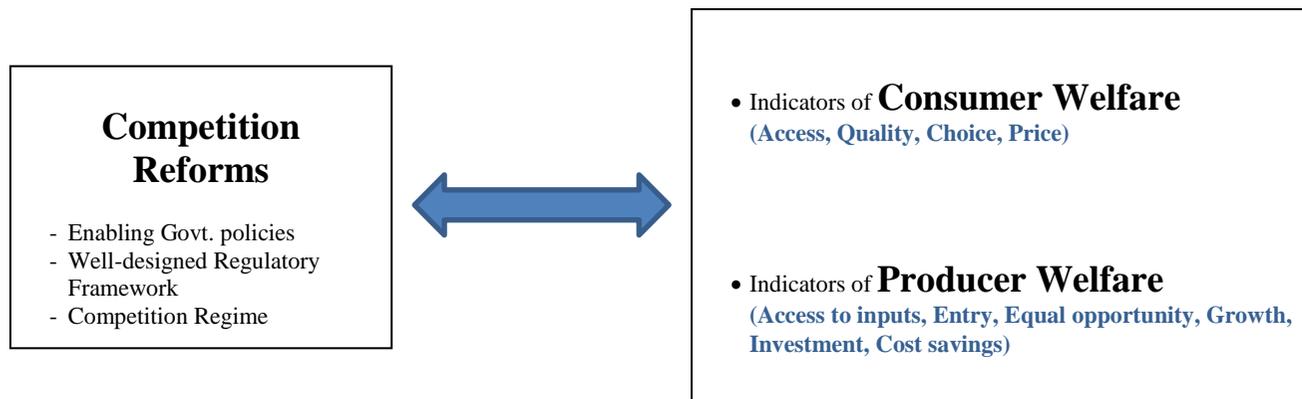
(ii) **Consumer Welfare**: consumer welfare can be best explained using the following indicators:

- Access: Goods and services reach consumers easily and in areas where they were not available earlier
- Quality/Price: Good quality goods and services are available for consumers without any appreciable changes in prices of such good/services
- Choice: New firms/products enter otherwise ‘concentrated’ markets, for the benefit of consumers
- Price: Prices are reduced in a ‘contestable market’ to the relief of consumers, (v) Time savings by consumers

(iii) **Producer Welfare**: producer welfare is assessed using the following indicators:

- Access to essential services: firms can easily access inputs (labour, capital, technology, etc.), infrastructure services, etc.
- Entry barriers: firms are able to easily enter relevant markets (and exit them too)
- Level playing field: equal opportunity exists in markets for firms to ‘win’ consumers/customers
- Growth: enabling conditions prevail in the market that help well-performing firms/entities to grow in the sector
- Investment: well-laid down programmes for attracting investments are present
- Cost savings: businesses have opportunities for saving otherwise extra (unnecessary) costs

2.5 The above link is therefore further expanded as follows:



### 3. Key Questions to consider at the beginning

Anyone who is interested in undertaking developing this methodology should start with a simple exercise and try to find answers to some of the following questions – before engaging in a full-fledged exercise to develop this methodology.

#### **Q1. What is the issue that you intend to highlight with this exercise?**

- Clearly define the sectors (and specify the market) where the methodology could be applied
- Why do you want to apply this methodology in this sector/market?
- Clearly define consumers and producers whose welfare is being estimated

#### **Q2. Are you able to situate this issue in policy and/or practice in the sector/market?**

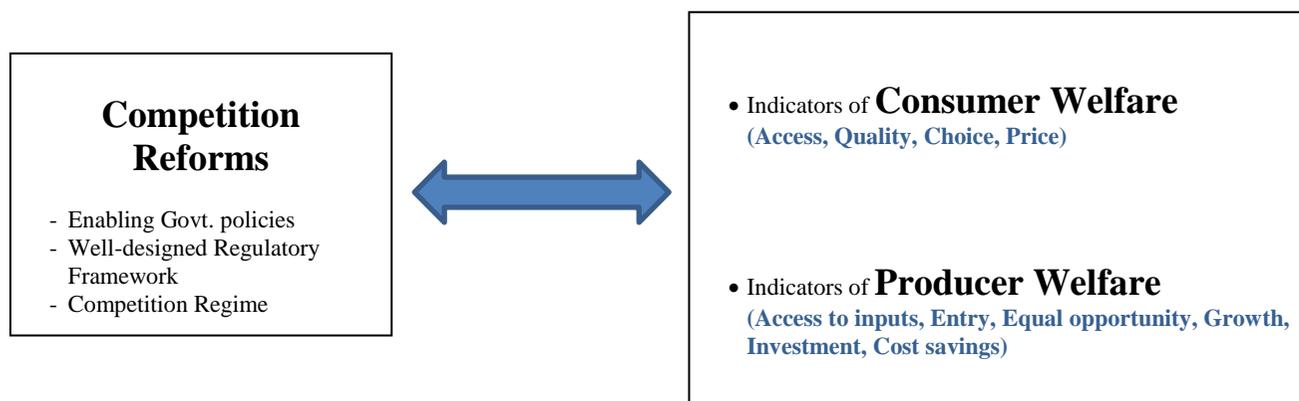
- Are you able to (broadly) identify policies, laws, statutes, programmes and practices that are linked to this issue?
- Is information available on the likely implication of the above policies, laws, statutes, programmes on the nature of the market/operators?

### Q3. Do you have sufficient resources for applying this methodology?

- Can the ultimate use of applying this methodology justify the resources that would need to be invested in this exercise?
- Do you have a team internally for this?
- Are you going to rely on an external team/entity for it?

## 4. Steps for developing and implementing the methodology

4.1 The methodology explained in the steps below explains how elements of competition reforms have been linked with indicators of consumer and producer welfare:



4.2 The following **steps** explain how the above link is transformed into an **analytical framework** (for undertaking research) to help assess the relation between certain specific element(s) of competition reforms in a particular sector (i.e., component of sectoral policies, legislation, statutes, programmes, practices, etc.) and specific indicators of consumer and/or producer welfare in that sector.

- **STEP 1:** All policies, regulations, statutes, programmes and practices in the particular sector/market are gathered. From this all those having pro/anti-competitive elements are selected.

- **STEP 2:** The pro/anti-competitive feature(s) in each of these policies, regulations, statutes, programmes and practices are isolated<sup>2</sup>
- **STEP 3:** Each of the above ‘isolated’ elements are closely examined (and discussed with sector experts and stakeholders) to understand whether it has implications on consumer welfare, or on producer welfare or on both. Some further analysis and discussions are undertaken to ascertain which specific indicator(s) of consumer and/or producer welfare are likely to be linked with each of these ‘isolated’ elements in the sector/market
- **STEP 4:** On the basis of the above exercise, the analytical matrix is constructed, and presented in the form of a table (as below). This table needs to be filled up for each ‘isolated’ element of reforms (policies, laws, statutes, programmes and practices) by indicating the specific consumer and/or producer welfare indicator(s) that are likely to be impacted by each of these reforms. Secondary and primary data sources that would help ascertain the nature and degree of such impacts should also be indicated in this matrix.

**Fig1: Analytical Matrix (CREW Methodology)**

Sl. No.	Reform Policy, Law, Programme	Impact on Consumers OR Producers	Indicators	Data Source	
				Secondary Data	Primary Data
		Impact on Consumers	Price/Cost	-	-
			Quality	-	-
			Access	-	-
			Choice	-	-
		Impact on Producers	Entry	-	-
			Investment	-	-
			Growth	-	-
			Access to inputs	-	-
			Equal	-	-

<sup>2</sup> Assessment of pro/anti-competitive elements in a particular (sectoral) policy, law, statute, programme or practice can be done by using guidelines provided any of the following: DFID’s Competition Assessment Framework (CAF), OECD Competition Assessment Toolkit, CUTS Competition Impact Assessment Toolkit (CIAT)

Sl. No.	Reform Policy, Law, Programme	Impact on Consumers OR Producers	Indicators	Data Source	
				Secondary Data	Primary Data
			opportunity (level playing field)		
			Cost savings		-

The analytical matrices developed under the CREW project for the *staple food* and *bus transport* for the research to be undertaken in each of the four countries can be seen at: [http://www.cuts-ccier.org/CREW/pdf/Draft\\_Analytical\\_Matrix-Staple\\_Food\\_Sector.pdf](http://www.cuts-ccier.org/CREW/pdf/Draft_Analytical_Matrix-Staple_Food_Sector.pdf) and [http://www.cuts-ccier.org/CREW/pdf/Draft\\_Analytical\\_Matrix-Passenger\\_Transport\\_Sector.pdf](http://www.cuts-ccier.org/CREW/pdf/Draft_Analytical_Matrix-Passenger_Transport_Sector.pdf).

- **STEP 5:** On the basis of the above table, the methodology for undertaking secondary research and primary research is developed. Separate notes can be developed to guide the process of secondary research and primary survey (as was done in the CREW project)
- **STEP 6:** A few guiding pointers for undertaking the secondary research are provided below:
  - Ascertain the time of the selected reform(s) and gather data before and after the reform(s) (at least 5 years before and 5 years after)
  - Select reforms which were undertaken in the last 10-15 years, so that it is comparatively easier to assess their impacts than reforms undertaken earlier
  - Highlight the overall objective of the reform (promoting or impeding competition in the market) and gather data on relevant indicators of consumer and/or producer welfare (in accordance with the above analytical matrix) that are likely to have been impacted by these reforms
  - Segregate quantitative and qualitative data that would need to be collected to assess impact of each identified reform
  - Aim to identify the ‘data gaps’ – so that the primary research can help fill it up

The ‘Note on Secondary Research’ under the CREW project in the two sectors is available at: [http://www.cuts-ccier.org/CREW/pdf/Draft\\_Note\\_for\\_Secondary\\_Research.pdf](http://www.cuts-ccier.org/CREW/pdf/Draft_Note_for_Secondary_Research.pdf)

- **STEP 7:** For primary research the following inputs are required:
- Do a thorough ‘stakeholder mapping’ in the sector/market to identify those stakeholders to be covered during the primary survey
  - The following instruments would be used for undertaking the primary survey: (i) in-depth interviews; (ii) focussed group discussions (FGDs); (iii) perception surveys; and (iv) case studies
  - Develop a sampling frame, indicating the type of interactions to be undertaken (using the above-mentioned instruments) for gathering perception from each of the relevant stakeholders (as per the stakeholder map)
  - Highlight issues to be covered in these interactions (which will help develop the ‘questionnaire’ or the ‘set of questions’) using the ‘primary data sources’ in the analytical matrix as a reference

The ‘Note on Primary Survey’ under the CREW project for undertaking the primary work in the two sectors is available at: [http://www.cuts-ccier.org/CREW/pdf/Note\\_for\\_Primary\\_Research.pdf](http://www.cuts-ccier.org/CREW/pdf/Note_for_Primary_Research.pdf)

- **STEP 8:** Data gathered from the secondary research and primary survey are then collated into **Diagnostic Report (sectoral)**. The components (chapters) of this report would be:
- Background of the Sector
  - Relevant Policy & Institutional Reforms in sector/market
  - Impact of Policy and Institutional Reforms on Beneficiaries in the sector
  - Conclusion & Recommendations

The Diagnostic Reports developed under the CREW project are available at: [http://www.cuts-ccier.org/CREW/Diagnostic\\_Country\\_Reports.htm](http://www.cuts-ccier.org/CREW/Diagnostic_Country_Reports.htm)

- **STEP 9:** Based on the need and the circumstances the use of the evidence in influencing policymakers and other stakeholders in ascertained.