To	Justeat.hungryhouse@cma.gsi.gov.uk
Date	25 October 2017
From	Company B
Subject	Just Eat/Hungryhouse Merger: Response to Provisional Findings Report

[✄] is in the (slow) process of creating a 'virtual delivery platform', **[✄]**. We understand this initially targets some 35% of restaurants with own delivery (the remaining 40% of restaurants have no website or 25% have a website without online ordering function).

In our discussions with both restaurants and online ordering service providers we understand that a major obstacle to crate competition with Just Eat is Just Eat's price parity clause. As you are aware, restaurants are not allowed to undercut the prices of Just Eat, hence there can be no price competition.

This situation is very similar to the situation in the hotel booking sector where, as you will know better than we, competition authorities across Europe concluded that price and other parity clauses are anti competitive. Also as you will know better than us, a price parity clause actually provides incentives for large platforms to increase commissions, as the hotel (or restaurant) cannot pass these higher commissions in a differentiated way in its prices. So the competing platform which does not increase its prices will nevertheless be faced with higher prices, as the hotel/restaurant cannot reward low commissions (diluted pass through).

We therefore urge you to at least ask Just Eat to lift its parity clauses, which by the way are much stricter than what we see in the hotel sector, before approving the merger. Even offline bookings (phone) must not be cheaper.

In any case, we feel that the question of parity clauses merits an in depth analysis, as most of the analysis so far has simply accepted the existence of the parity clause as a fact. While it may be that the established Hungryhouse would have had a hard time to compete with Just Eat in the long run, a possible new platform which could not compete on the end-user prices would probably have no chance of breaking into Just Eat's two sides market with extremely strong network effects.

This leads us to the second remark, which is that the provisional findings have not gone into the details of the market for services provided by Food ordering marketplaces to restaurants having their own delivery. You have rather focus on online food platforms (the food ordering marketplaces and ordering and logistics services combined). This makes sense form a hungry consumer perspective, but not from a restaurant perspective).

The findings elaborate in some detail that Just Eat faces and will face competition from Deliveroo-Type Ordering and logistics specialists regarding consumers willing to order, and we tend to agree with that argument.

However, ordering and logistics specialists focus on restaurants without own delivery fleet, and their service (and much higher commissions) are only an imperfect substitute for restaurants which have already invested in their own delivery infrastructure. This is also shown that only a fraction of Just Eat's restaurants use Deliveroo or UberEats. After the merger, 93% of restaurants with own delivery will be single homing on Just Eat. Also your finding do not explain if you have done a ssnip test of Just Eats' recent commission increases from 11% to 12% to 13% and for new signups to 14%. Our intuition (and Just Eat's profit figures) tell me that restaurants had little choice but to pay, even when when Hungryhouse with lower commissions was around. We vaguely remember that Just Eat even publicly announced in an annual report or presentation that, after the Danish increases of commission form 10-12% with protests, that the objective are steady and small commission increases. No sign of competitive pressure.

The core competition problem is that restaurants cannot compete on food price with Just Eat, cannot find another platform which competes on food prices.

Thirdly, the counterfactual analysis does not really explain why Just Eat would pay 200m UKP for a loss making company which does not exert any appreciable competitive pressure, and whose restaurant customers are almost all anyhow on Just Eat. To us it is pretty obvious that the threat of Hungryhouse becoming a low commission maverick is the most likely outcome. As you will know, Deliveryhero has invested in and provided technology for the hungrygroup (Hungrygroup.com) which tries to compete with Just Eat's monopolistic market position in Ireland, Denmark (and with Takeaway.com's Dutch operations). Without the merger, Deliveryhero's best option would likely be to integrate Hungryhouse into the hungrygroup, with obvious advantages for the competitive situation. And this might put a threat in Just Eat's market position (Just Eat is valued above 5bn UKP, or 70.000 UKP for each restaurant it serves...)

I summary, we urge you to reconsider your decision and to prohibit the planned merger.

In the alternative, at least the question of parity clauses needs to be remedied in order to have at least a little chance for competition left.

In any, case, the final decision would absolutely need to look into the parity clauses and explain why they do not pose a competition problem and what is the difference to online hotel booking, where essentially everybody acknowledges that parity clauses constitute a competition problem.