

Competition & Markets Authority

**By email only: [amazon.deliveroo@cma.gov.uk](mailto:amazon.deliveroo@cma.gov.uk)**

11 May 2020

Dear Sirs

**Provisional clearance decision in relation to the investment in Deliveroo by Amazon**

Further to the publication of the provisional decision following the phase 2 investigation into the completed investment in Deliveroo by Amazon, I am writing with views from [CONFIDENTIAL].

We have been following the progress of the investigation with interest, and have a number of comments that we would respectfully like to share in relation to the content of the provisional decision.

We note that one of the substantive points raised by the CMA in the provisional clearance decision was an acknowledgment of Deliveroo's submission that, since the economy is being significantly impacted by the effects of a global pandemic, and in particular the closure of a large number of restaurants available through Deliveroo, that the impact of these losses meant that Deliveroo would fail financially and exit the market, without Amazon's investment.

Whilst the CMA's investigation found that Deliveroo has grown strongly and now has a significant share of the online restaurant platform market, we note that Roofoods Limited has had mounting EBIT losses in 2016, 2017 and 2018 of £165m, £200m and £285m, respectively (2019 figures not yet publicly available). Therefore, its loss-making position is not new, and in fact has continued to deteriorate long before the current Covid-impact set in, and actions that you would expect any business to take in light of being faced with these escalating losses, clearly have not been taken to address this deteriorating position.

Now that the world is experiencing the significant economic impact of Covid-19, we would also question why Deliveroo still does not appear to be focussing on the implementation of tight cost controls to support itself during these tough times, including for example, restricting marketing budgets and pausing technological development, until volumes return, as well as taking advantage of support schemes that have been made available, just like most other businesses are having to do to try and weather the storm during the pandemic. It is for this reason that Deliveroo's submission that it would fail financially without Amazon's investment appears absurd. If Deliveroo continues to run its business without regard to the current economic impact that all businesses across all sectors are facing, and without reducing its cost base significantly, it will surely be the author of its own demise?

On the issue of the impact on competition if Deliveroo were to exit the market, we consider that this could result in the consumer having more choice and, therefore access to lower prices and better quality, for a couple of reasons:

1. Without Deliveroo, restaurants would be better encouraged to set up their own website and online ordering platform (which can be undertaken quickly and with very little investment), and indeed we have all seen the extent to which businesses across the food sector have flipped business models and needed to think quickly about alternative customer bases and revenue streams, in order to partially offset the impact of Covid-19. It will be in every restaurant's interest to find a way of accessing this route to market themselves, rather than pay [CONFIDENTIAL]% to Deliveroo, and this would create even more choice for consumers, potentially at more competitive prices.
2. There are a number of competitors in the market, including Just Eat and Uber Eats, and the CMA is aware, through its phase 1 investigation, that there remains the potential for Amazon to re-enter the online takeaway business, and further developing its presence within the online convenience grocery delivery market in the UK in the future. We are also aware, as was cited by the Parties themselves during the investigation, that there are other businesses who are possible entrants to the UK market; for example, US firm DoorDash and Spanish start-up Glovo to enter the UK space. We, therefore, consider that if, despite our comments above, Deliveroo were to exit the market, there would not be a substantial lessening of competition, given the broader demographic of Just Eat, the extent of the competitive challenge presented by Uber Eats and the low barriers to entry and interest in the online takeaway business market in the UK.

We hope these comments are helpful.

Yours faithfully