Dear CMA,

I would like to outline a reason that has not been adequately submitted and considered as to why the Amazon - Deliveroo investment could result in a SLC.

A major concern is a further increase in the influence of Amazon and its already staggeringly high level (and growing) control over the UK delivery market and a long term SLC as a result. Another major concern is the on demand food delivery market becoming an Amazon backed Deliveroo led oligopoly vs a flurrying competitive market with dozens of players. Order days/hours in advanced slot based groceries and on-demand (30 minutes delivery) segments are converging rapidly. The CMA should not approve this deal as it will make it harder for start ups to get the backing they need to foster a dynamic non-oligopolistic marketplace in the critical on demand food delivery scene. There are start ups that exist now, many formed recently during COVID, that will find it more difficult to become significant competitive players as a result of a CMA decision to back this deal and start ups that will never be founded or backed and will thus never bare fruition and thus competition benefits due to a CMA decision to back this deal. This will very plausibly cause a long term SLC in the critical market of on demand food delivery which we have seen the vital importance of to consumers during the COVID epidemic. There are a whole host of companies, like ours, springing up recently before or during the COVID epidemic that will find it more difficult to get investment in the face of "Amazon enabling what it did to online retail to occur to on demand food delivery". When you pair Amazon's deep pockets, data, logistics and Deliveroo's hugely established brand in the on demand food delivery segment with its reach and choice and catalogue of existing relationships, a moat forms which we have had outlined to us by multiple investors as being uneconomical to attempt to compete with. We have found that CMA indications of backing for this decision have made gaining investment much harder. If we are experiencing that, other start ups and smaller operators with growth ambitions to be competitors in this market will be doing so also. Long term, this will very plausibly result in SLC. The critical on demand food delivery market can develop into a flurrying competitive market with vibrant start ups and growth companies or it can become an oligopoly of Uber, Amazon backed Deliveroo and Just Eat. We are on the precipice. We view this decision as critical.

Within a 15 mile radius of where we operate, two start up food delivery services have gained significant traction + a whole host of COVID founded delivery services are just getting up and running. It's highly plausible that there are plenty more in similar positions nationwide. When many of these start ups approach investors for essential capital, they will likely experience what we are experiencing: reluctance due to legitimate Amazon backed dominance and control fears and specific concerns over this deal going ahead.

Amazon could very plausibly be making the judgement: we've been late/unsuccessful in the on demand food delivery game, and being first is important. It's better to have a profitable 10%, of a market, than an unprofitable 4-0%. I want to point out the following flaw in the CMA Summary of revised provisional findings Notified: 22 June 2020. It suggests that 16% vs 100% is the tradeoff and obviously Amazon, therefore, have every incentive to re-enter. Deliveroo backed Amazon likely yields a much higher market share than either alone. Deliveroo backed Amazon likely yields higher future profit margins than either alone. This does not seem to have been considered. The trade off is therefore not of the proportion 1.6:10.

Let's take an example scenario:

Without Amazon backing of Deliveroo, a diverse competitive on demand food delivery market forms with lots of covid start ups thriving:
Market share 2030:
Deliveroo: 30%
Amazon: 4% (lower profit margin)

With Amazon backing of Deliveroo, an oligopoly cements of which Amazon backed Deliveroo becomes the dominant player
Market share 2030
Deliveroo: 60%
Amazon through Deliveroo: at least 9.6% (higher profit margin)

Therefore, it is very plausible that this investment discourages Amazon from re-entering.

Finally, I would like to question what is to stop Amazon or its representatives or affiliates increasing their control in the not impossible scenario that Deliveroo lists on a UK or European stock exchange. If Deliveroo were to move its HQ to the US, would the CMA have authority over the board structure assurances of an USA domiciled company? In any event, can the CMA stop Amazon from providing Deliveroo with benefits from its vast financial, data and logistical resource bank that enable it to create a moat, and sweep aside potential competitors resulting in SLC?

I have demonstrated that it is very plausible that a long term SLC could result from this decision from an angle that previous established player submissions did not outline. The critical on demand food delivery market can develop into a flurrying competitive market with vibrant start ups and growth companies with niches which is great for consumers or it can become an oligopoly of Uber, Amazon backed Deliveroo and Just Eat. This is a critical industry on the precipice. The effects will be felt in perpetuity. Please deeply reconsider. Thank you as a consumer and start up owner for your extensive process and your willingness to deeply consider new submissions and not being afraid to change important decisions in light of them. I would like to suggest that as a start up it is difficult to allocate time and resources to making submissions to the CMA and keeping track of macro industry events, thus other start ups like ours are unlikely to have made submissions to the degree larger corporations have and thus we ask extra consideration be given to those types of players less likely to make their voice heard in these proceedings. We would like the CMA to put themselves in the shoes of those that COVID era food delivery start ups approach for investment. It is very plausible that there are arguments that should have been made that haven't been, by start ups, due to a lack of resources and time amongst a hands on deck start up team, particularly so during this pandemic which has increased demand for delivery substantially.

I today read the following article https://www.bbc.co.uk/news/business-53252750

“The UK needs tougher rules to curb the dominance of Google and Facebook, including powers to break them up, the Competition and Markets Authority has said.
It is concerned that the firms' dominance in digital advertising raises barriers for new competitors.
This may be pushing up prices for consumers, the CMA said.”
I agree with this analysis and ask the CMA to take action to avoid a critical segment becoming becoming yet another that is unviable for new competitors due to the dominance of others. Unlike digital advertising, on demand food delivery apps pricing is not based on an auction model that keeps prices down, thus the consequences of even partial dominance, could very plausibly be much more severe in terms of pushing up prices for consumers in the coming decades. Delivery of food is a basic necessity, particularly for vulnerable people, unlike digital advertising, thus we believe deals in this market segment must be considered to an exceptional degree.

Kind regards,

CEO
A Food Delivery Start Up