

Anticipated acquisition by Amazon.com, Inc of iRobot Corporation

Decision on relevant merger situation and substantial lessening of competition

ME/7012/22

SUMMARY

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 16 June 2023. Full text of the decision published on 24 July 2023.

Please note that [✂] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

Overview of the decision

1. Amazon.com, Inc (**Amazon**) agreed to acquire iRobot Corporation (**iRobot**) for \$1.7 billion on 4 August 2022 (**the Merger**). Amazon and iRobot are together referred to as the **Parties** and for statements referring to the future, as the **Merged Entity**.
2. Following a phase 1 investigation, the Competition and Markets Authority (**CMA**) does not believe, for the reasons summarised below, that it is or may be the case that the Merger may be expected to result in a substantial lessening of competition within a market or markets in the UK. On this basis, the Merger will therefore **not** be referred for an in-depth phase 2 investigation.
3. The CMA's investigation focuses on the impact of the Merger in the UK. The Merger is also being reviewed in a number of other jurisdictions.

About the businesses

4. Founded in 1994 by Jeff Bezos, Amazon has grown rapidly to become one of the world's largest companies, with a market capitalisation of \$1.27 trillion. Amazon has a range of activities in the UK, which is one of the company's largest markets. In online retailing (through Amazon.co.uk), Amazon offers products sold by Amazon as well as products sold by third-party sellers on Amazon.co.uk. Amazon also offers services to sellers such as delivery, logistics and warehousing. Amazon earns revenue through its own sales, sales commission on third-party product sales, and advertising. Amazon manufactures and sells certain electronic devices, including devices for use in the home, designed to interoperate with a smartphone, smart speaker or virtual assistant (**smart home devices**). Amazon also operates a virtual assistant, called Alexa; virtual assistants are often used as the hub to control and interoperate with smart home devices. Virtual assistants can be the "hub" for broader **smart home platforms**, which are groups of connected smart home devices.
5. iRobot is a technology company, founded in 1990, that designs and builds consumer robots, including floor care products. The vast majority of iRobot's revenues in the UK come from the sale of its robot vacuum cleaners (**RVCs**), including the well-known 'Roomba' brand, which vacuum and/or mop floors without human intervention. These RVCs are sold on Amazon's online store in the UK (Amazon.co.uk) and can be operated using Amazon's virtual assistant, Alexa.
6. While RVCs have been available to buy in the UK for around 20 years, the UK market for these products remains small (and significantly smaller than in a number of other European countries and the US).

The CMA's assessment

Why did the CMA look at this merger?

7. The CMA's primary duty is to seek to promote competition for the benefit of consumers. It has a duty to investigate mergers that could raise competition concerns in the UK, provided it has jurisdiction to do so, which it does in this case.

How did the CMA investigate the Merger?

8. At phase 1, the CMA needs to establish whether there is a realistic prospect of a substantial lessening of competition (**SLC**) which merits a reference to an in-depth phase 2 investigation. To understand the implications of the Merger on competition,

the CMA gathered information from a wide variety of sources, including by using the CMA's statutory information-gathering powers, to ensure that the CMA had as complete a picture as possible within the constraints of the statutory timetable.

9. The CMA gathered data and internal documents from the Parties, to understand their businesses, competitors and plans for the future. The CMA also gathered evidence from other market participants, such as suppliers of RVCs, UK retailers, and smart home platforms.
10. The CMA used this evidence to assess whether the Merger could impact competition in the following ways (referred to as 'theories of harm'):
 - (a) Through a loss of future competition in the supply of RVCs in the UK (if Amazon would have entered the supply of RVCs and competed against iRobot absent the Merger);
 - (b) By limiting the ability of Amazon's rivals to compete in the supply of smart home platforms (on the basis of evidence that RVCs could be an important input for the supply of a broader smart home platform); and
 - (c) By limiting the ability of iRobot's rivals to compete in the supply of RVCs (on the basis of evidence that Amazon.co.uk is an important route to market in the UK for suppliers of RVCs).

Could there be a loss of future competition in relation to RVCs in the UK?

11. The CMA has considered whether, if the Merger had not gone ahead, Amazon could have entered the RVC market with its own product, which could have competed against iRobot, and whether, if so, any competition lost between iRobot and Amazon as a result of the Merger could have been substantial.
12. The CMA has found, in light of Amazon's broader business strategy and ongoing product development activities, that there was a realistic prospect that Amazon would have started to supply its own RVC product absent the Merger. The CMA also found, however, that iRobot's market position in the UK is modest and that it already faces several significant competitors (including Ecovacs and Eufy, both of which have a higher market share than iRobot, as well as Roborock, Samsung and Dyson).
13. On this basis, the CMA has found that, even if Amazon would have entered the UK RVC market absent the Merger, there would in any event be sufficient remaining

constraints to ensure that the Merger does not give rise to competition concerns in relation to loss of future competition in RVCs in the UK.

Could the Merged Entity foreclose rival smart home platforms?

14. The CMA considered whether, following the Merger, the Merged Entity would be able to disadvantage, or foreclose, rival smart home platforms, by limiting their access to iRobot. In particular, the CMA considered whether there was anything important about iRobot that could impact the ability of rival smart home platforms to compete with the Merged Entity in future.
15. The CMA reviewed the Parties' internal documents and gathered evidence from rival smart home platforms. This evidence did not indicate that RVCs (including the data that RVCs are likely to be able to gather) are generally an important input in the supply of smart home platforms, particularly in the UK. The CMA also notes that there are, in any case, several alternative RVC providers active in the UK, many of which have similar capabilities as iRobot.
16. On this basis, the CMA found that the Merged Entity would not have the ability to disadvantage rival smart home platforms by limiting their access to iRobot, such that the Merger would not give rise to competition concerns as a result of vertical effects in relation to the supply of smart home platforms.

Could the Merged Entity foreclose RVC competitors?

17. Finally, the CMA considered whether, following the Merger, the Merged Entity would be able to disadvantage, or foreclose, other providers of RVCs in the UK, for which Amazon's online store could be an important route to sell their products.
18. To assess this, the CMA first considered Amazon's **ability** to disadvantage RVC competitors, by analysing the importance of Amazon as a retail channel for suppliers of RVCs in the UK. Overall, a high proportion of RVC sales in the UK are made through Amazon's online store, and iRobot's rivals in the supply of RVCs told the CMA that Amazon is a very important route to market in the UK, with a number of them also conducting a large proportion of their advertising through Amazon's online store. The available evidence indicates that Amazon could be able to harm the competitiveness of rivals in a number of ways, such as by completely removing competing RVCs from Amazon's online store, manipulating their position in search rankings, or generally worsening terms for RVC competitors (eg by increasing commission rates). Based on this evidence, the CMA believes that the Merged

Entity would have the ability to harm its' rivals selling RVCs on Amazon's online store.

19. The CMA also considered whether Amazon would have the **incentive** to disadvantage those RVC competitors. This analysis took into account both direct costs and benefits of pursuing a strategy to disadvantage RVC competitors, as well Amazon's broader long-term strategic objectives:
- (a) To assess the short-term, direct costs and benefits to Amazon of foreclosing RVC competitors the CMA gathered data on the profit margins that Amazon makes from sales of RVCs on Amazon.co.uk and the margins it would be likely to make as the owner of iRobot. On the one hand, Amazon would be able to make higher margins on sales of (Amazon-owned) iRobot products than on sales of third-party RVCs, suggesting that the gain in downstream sales of iRobot RVCs from such a strategy would outweigh the loss of upstream revenues from selling third-party products. On the other hand, such a strategy would also bring costs from the loss of other revenues, such as advertising revenues, that Amazon makes from sellers of third-party RVCs. In addition, some customers may choose to purchase RVCs elsewhere rather than purchasing an iRobot RVC following an attempt to disadvantage RVC competitors, particularly given iRobot's relatively weak competitive position in the UK. The CMA also noted that the small size of the UK market meant that any incentive driven by short-term considerations was likely to be small overall.
 - (b) To assess the strategic longer-term costs and benefits to Amazon of foreclosing RVC competitors, the CMA considered evidence relating to Amazon's broader business model and strategy, including its ambitions in relation to the smart home. In particular, the CMA considered whether the acquisition of iRobot could provide Amazon with any strategically significant assets (such as personal data) that would provide an incentive for Amazon (beyond narrower financial benefits) to seek to increase iRobot's sales at the expense of rival RVCs. The CMA found that the longer-term strategic benefits of disadvantaging RVC competitors in the UK are limited, primarily due to the small number of UK RVC owners (with the RVC market not expected to grow significantly in future). The CMA also found that such a strategy also raised longer-term costs; for example, if customers were to choose an alternative retail channel to purchase their RVC as a result of this strategy, this could have a knock-on impact on other products sold through Amazon.

- (c) Overall, while the trade-off in the costs and benefits of disadvantaging RVC competitors would vary, depending on the particular mechanism (or mechanisms) used to pursue this objective, the CMA found there was no clear incentive to pursue such a strategy on any plausible basis. This is primarily because of the limited financial and strategic benefits of disadvantaging RVC competitors in a market that is small in size (and not expected to grow significantly in the future) and not strategically significant.
20. On this basis, the CMA found that Amazon's strong position in online retail in the UK means that it would have the ability to disadvantage RVC competitors following the Merger, but that the size of the market in the UK, and the limited strategic benefit to be gained means that it would not have the incentive to do so. The CMA therefore considers that the Merger would not give rise to competition concerns as a result of vertical effects in relation to the supply of RVCs, through the foreclosure of RVC competitors in the UK.

Conclusion

21. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002.

ASSESSMENT

PARTIES

22. Amazon has a broad spectrum of activities in the UK. Amongst other activities, it supplies online retailing services, an online marketplace for third parties, a delivery and logistics network, media and content, cloud server services and cloud computing services. Its retailing operations offer products sold by Amazon as well as by third-party sellers. Amazon also manufactures and sells electronic devices. Amazon generated approximately \$514 billion in turnover in 2022, of which \$30 billion (approximately £24 billion) was generated in the UK.¹
23. iRobot is a manufacturer of floor care products. In particular, iRobot designs and builds RVCs that vacuum and/or mop floors. iRobot also manufactures and sells air purifiers and educational products, such as robots used for teaching coding. iRobot generated approximately \$1.2 billion in turnover in 2022, of which \$11 million (approximately £8.8 million) was generated in the UK.²

TRANSACTION

24. Amazon agreed to acquire iRobot for \$1.7 billion in cash on 4 August 2022. The Parties informed the CMA that the Merger is also the subject of review by other competition authorities, including the European Commission and the Federal Trade Commission in the United States.³

PROCEDURE

25. The Merger was considered at a Case Review Meeting.⁴

JURISDICTION

26. A relevant merger situation exists where the following three criteria are met:⁵

¹ Amazon.com Inc 10-K for the fiscal year ended December 31, 2022, page 67. All dollar figures quoted are in US dollars. Pound sterling exchange rate was based on Bank of England annual average data of \$1=£0.8003 for 2022.

² Final Merger Notice submitted to the CMA on 17 April (**FMN**), paragraph 6.

³ FMN, paragraphs 51-55.

⁴ See Mergers: Guidance on the CMA's jurisdiction and procedure (**CMA2revised**) January 2021, page 43.

⁵ **CMA2revised**, paragraph 4.3.

- (a) two or more enterprises have ceased to be distinct, or there are arrangements in progress or contemplation which, if carried into effect, will lead to enterprises ceasing to be distinct;
- (b) either the 'turnover test' or the 'share of supply test' is met; and
- (c) either the merger has not taken place, or the date of the merger is no more than four months before the day the reference is made.⁶

Enterprises ceasing to be distinct

- 27. The CMA believes that the Merger constitutes arrangements in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation for the purposes of the Enterprise Act 2002 (the **Act**).⁷ The CMA also considers that each of Amazon and iRobot is an enterprise within the meaning of section 129 of the Act.⁸
- 28. As a result of the Merger, Amazon will acquire sole control of the entire issued share capital of iRobot, such that the two enterprises will cease to be distinct within the meaning of section 26 of the Act.⁹
- 29. Accordingly, the CMA considers that the Merger constitutes two enterprises ceasing to be distinct and the first criteria for a relevant merger situation is met.

Share of supply test

- 30. Under section 23 of the Act, the share of supply test is satisfied if the merged enterprises both either supply or acquire goods or services of a particular description in the UK, and will, after the merger, supply or acquire 25% or more of those goods or services in the UK as a whole or in a substantial part of it.¹⁰
- 31. The CMA outlined in its Issues Letter that it believed the share of supply test was met in relation to the supply of a service – the supply of online sales channels used for the sale and purchase of RVCs – in the UK.

⁶ The Merger has not yet completed. See paragraph 242424 of this Decision on relevant merger situation and substantial lessening of competition (**Decision**).

⁷ Section 33(1)(a) of the Act.

⁸ [CMA2revised](#), paragraphs 4.6–4.15.

⁹ [CMA2revised](#), paragraphs 4.5.

¹⁰ [CMA2revised](#), paragraph 4.3.

Parties' submissions

32. The Parties submitted that the share of supply test is not met because the Parties' combined share of supply is less than 25% on any plausible basis in relation to each of the only reasonable description of goods identified by the Parties, ie the supply of: (a) floor care products; (b) all vacuum cleaners; (c) traditional vacuum cleaners; and (d) RVCs.¹¹
33. The Parties also submitted that:
- (a) The approach to jurisdiction proposed by the CMA failed to reflect competition between (a) online and offline sales channels and (b) RVCs and traditional vacuum cleaners;¹²
 - (b) The CMA has in past cases considered offline and online sales as belonging to the same broader market;¹³ and
 - (c) Sales of RVCs made on Amazon.co.uk by third-party sellers should not be attributed to Amazon for the purposes of calculating the share of supply.¹⁴

CMA's assessment

34. The purpose of the share of supply test is to identify a merger which involves a degree of overlap in commercial activity above a certain level, so as to warrant investigation by the CMA.¹⁵ The CMA has a wide discretion to identify a specific category of goods or services supplied or acquired by the merging parties for the purposes of the share of supply test.¹⁶ CMA guidance identifies a number of considerations to which the CMA will have regard when describing the relevant category of goods or services, including that:
- (a) The CMA will have regard to any reasonable description of goods or services;¹⁷
 - (b) The share of supply test is not an economic assessment of the type used in the CMA's substantive assessment and therefore it is not necessary that the

¹¹ FMN, paragraphs 64, 69-91; Parties' response to the Issues Letter, 30 May 2023, paragraphs 26 – 28.

¹² Parties' response to the Issues Letter, 30 May 2023, paragraphs 21-24.

¹³ Parties' response to the Issues Letter, 30 May 2023, paragraph 23.

¹⁴ Parties' response to the Issues Letter, 30 May 2023, paragraph 25.

¹⁵ Sabre Corporation v Competition and Markets Authority [2021] CAT 11, paragraphs 144-145.

¹⁶ Section 23(8) of the Act.

¹⁷ [CMA2revised](#), paragraph 4.59(b).

description of goods or services for the purposes of the share of supply test aligns with the market definition analysis;¹⁸ and

- (c) The CMA will consider the commercial reality of the merger parties' activities when assessing how goods or services are supplied.¹⁹

35. In addition, the CMA has a wide discretion to apply whatever measure (eg value, cost, price, quantity, capacity, number of workers employed), or combination of measures, it considers appropriate to calculate the merging parties' share of supply and to determine whether the 25% threshold is met.²⁰
36. The CMA considers that the share of supply test is met in relation to the supply of a service – the supply of online sales channels used for the sale and purchase of RVCs – in the UK. The Parties' combined share of supply, based on the number of units sold in the UK via those online sales channels, is approximately [70-80]% by volume with an increment of [0-5]% brought about by the Merger. The CMA notes that the 25% threshold for the share of supply test would also be satisfied in relation to the supply of online sales channels used for the sale and purchase of traditional vacuum cleaners,²¹ within which the Parties have a combined share of [40-50]% and an increment of <[0-5]% is brought about by the Merger.

Distinction between (i) online and offline sales channels and (ii) RVCs and traditional vacuum cleaners

37. The CMA considers that drawing a distinction between (a) online and offline sales channels and (b) RVCs and traditional vacuum cleaners falls within its discretion to identify a reasonable description of goods or services for the purposes of the share of supply test, particularly considering the commercial realities of the Parties' activities and products. In particular, the CMA notes that:
- (a) The cases cited by the Parties in support for the position that online and offline sales should be considered within the same market assessed this issue within the context of substantive assessment rather than jurisdiction (so, for the

¹⁸ [CMA2revised](#), paragraph 4.59(a).

¹⁹ [CMA2revised](#), paragraph 4.59(c).

²⁰ Section 23(5) of the Act; [CMA2revised](#), paragraph 4.66.

²¹ Traditional vacuum cleaners are manually operated vacuum cleaners.

reasons set out in paragraph 34(b), are of limited relevance for the assessment of jurisdiction).²²

- (b) In any case, neither Amazon nor iRobot sell RVCs (or traditional vacuum cleaners) through offline channels in the UK.²³ Moreover, the evidence available to the CMA (as considered in more detail in the competitive assessment) indicates that online sales channels, and Amazon in particular, are of significant importance to RVC competitors.²⁴ According to estimates provided by the Parties, nearly all (approximately [90-100]%) of the RVCs sold in the UK are sold via an online sales channel.²⁵
- (c) Third-party evidence and the Parties' internal documents indicate that consumers typically view RVCs as a separate product category from traditional vacuum cleaners.²⁶ For example, RVCs are differentiated due to their greater mobility and suitability for regular maintenance, as well as the need for less human intervention for cleaning.

38. The CMA has further considered the distinction between offline and online sales and traditional vacuum cleaners and RVCs as part of its assessment of the frame of reference (as well as, to the extent relevant, within its competitive assessment).

Attribution of third-party sales to Amazon

- 39. The CMA has assessed whether the share of supply test is met in relation to the supply of a specified service – the supply of online sales channels used for the sale and purchase of RVCs – in the UK.
- 40. For this purpose, the CMA has calculated the shares of suppliers of online sales channels used for the sale and purchase of RVCs in the UK by reference to the number of units sold in the UK through each of those online sales channels. Section 23(5) of the Act expressly states that for the purposes of deciding whether the 25% threshold is met, the CMA shall apply the criterion, or combination of criteria, that the CMA considers appropriate. The CMA considers that the metric chosen provides

²² ME/6648/16, the Completed acquisition by JD Sports Fashion plc of Go Outdoors Topco Limited; ME/6827/19, the Competition acquisition by JD Sports Fashion plc of Footasylum plc; Parties' response to the Issues Letter, 30 May 2023, paragraph 23.

²³ FMN, paragraph 78 (Amazon) and footnote 412 (iRobot).

²⁴ See the section of this Decision on vertical effects in relation to the supply of RVCs in the UK, in particular the section titled 'Amazon market power in the retail supply of RVCs in the UK'.

²⁵ FMN, Table 48 (Estimated UK online sales of RVCs (units) in 2021 was 259,532); Annex 9 to the FMN, Table 2 (Estimated UK online and offline sales of RVCs (units) in 2021 was 266,762).

²⁶ Note of a call with a third party; Third-party response to the CMA's RVC questionnaire. See also Amazon Internal Document, Amazon Annex – CMA DMN – s 10.022, pages 3, 13-14.

an appropriate measure for the shares of supply as it allows the CMA to assess the relative importance of the online sales channels of the Parties and third parties in the UK, both for customers wishing to purchase RVCs, and suppliers wishing to sell RVCs.

41. The focus of this description of goods and services is not on the RVC brands and manufacturers themselves, but on the online channels through which these products can be purchased, which include suppliers' DTC channels and Amazon.co.uk (where both third-party sellers and Amazon itself sell RVCs). Therefore, while the metric chosen necessarily means that third-party RVC sales on Amazon's website are included in Amazon's share of supply, this is appropriate to reflect the relative size and significance of the Amazon.co.uk website when selling or purchasing an RVC online in the UK.

Conclusion on share of supply

42. Accordingly, the CMA considers that the share of supply test under section 23 of the Act is met in relation to the supply of online sales channels used for the sale and purchase of RVCs in the UK.

Conclusion on relevant merger situation

43. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
44. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 19 April and the statutory 40 working day deadline for a decision is therefore 16 June 2023.

FRAME OF REFERENCE

45. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which

some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.²⁷

Product scope

46. RVCs are vacuum cleaners that are able to clean floors autonomously. Some only vacuum whilst others vacuum and mop. They do not require humans to push or guide them around the home. They can be operated by commands on the device (by pushing buttons), via an app on a mobile device (which can pre-programme cleaning schedules) or via voice-activated assistants. RVCs make their way around the home using sensors to avoid collisions. Many have cameras that map the home in order to improve their ability to navigate through it. RVCs cannot climb stairs.

Parties' submissions

Supply of RVCs

47. The Parties submitted that the frame of reference should be defined to include all floor care products or, alternatively, all vacuum cleaners, submitting that there is no basis to distinguish a separate market for RVCs,²⁸ and at the very least, the CMA should consider traditional vacuum cleaners as a strong out of market constraint.²⁹
48. The Parties submitted that iRobot internal documents that discuss the UK competitive landscape demonstrate that iRobot faces constraints from the wider floor care segment and traditional vacuum cleaners in particular.³⁰ The Parties described differences between traditional vacuum cleaners and RVCs (such as RVCs typically having lower suction power) as artificial and not sufficient to distinguish the products as belonging to separate frames of reference.³¹
49. The Parties submitted that UK consumers favour traditional vacuum cleaners over RVCs because of the competition from well-resourced and established brands, such as Dyson, Shark, Vax and Hoover.³² The Parties submitted that, particularly in the UK, RVC suppliers need to provide a compelling price and performance proposition to encourage consumers to switch from traditional vacuum cleaners.³³ The Parties

²⁷ [CMA's Merger Assessment Guidelines \(CMA129\)](#), March 2021 paragraph 9.4.

²⁸ FMN, paragraph 142.

²⁹ Parties' response to the Issues Letter, 30 May 2023, paragraph 48.

³⁰ Parties' response to the Issues Letter, 30 May 2023, paragraphs 51-54; iRobot Internal Document, Annex 26 to the FMN, UKCMA00018088, speaking notes, slide 25; iRobot Internal Document, Annex 26 to the FMN, UKCMA00001665, slide 48.

³¹ Parties' response to the Issues Letter, 30 May 2023, paragraph 55.

³² FMN, paragraph 148.

³³ FMN, paragraph 149.

described the UK housing stock as less well-suited to RVCs due to the relatively large proportion of older, multistorey homes.³⁴

50. The Parties provided shares of supply for RVCs across different price bands.³⁵ However, the Parties do not believe that there is a case for further segmentation of RVCs based on price or any other characteristics because, among other reasons, there is competitive interaction between RVCs of different prices on the demand side.³⁶

Retail supply of RVCs

51. The Parties submitted that the product frame of reference should be defined to include all consumer sales channels (including online and offline, direct sales channels through suppliers' own physical and online stores, indirect sales channels through wholesalers and distributors, and other sales channels such as social media).³⁷ The Parties submitted that consumers shop across a variety of sales channels with negligible switching costs and are highly sensitive to prices and product selection offered by different sellers. The Parties cited data from a buyer survey commissioned by Amazon in support of their submission.³⁸

CMA's assessment

Supply of RVCs

52. The evidence that the CMA has received does not support the Parties' submission that traditional vacuum cleaners should be included within the product frame of reference. The CMA considers that most of the available evidence, as described in more detail below, shows differences between traditional vacuum cleaners and RVCs, indicating that the products belong to separate frames of reference.
53. The CMA notes that some RVC competitors suggested that customers view RVCs and traditional vacuum cleaners as substitutes.³⁹ However, one of these RVC competitors noted that some consumers have both products and use RVCs and traditional vacuum cleaners for different purposes.⁴⁰ Another RVC competitor stated that customers consider RVCs and traditional vacuum cleaners as complementary

³⁴ FMN, paragraphs 149-154; Parties' response to the Issues Letter, 30 May 2023, paragraph 49.

³⁵ FMN Tables 19-24.

³⁶ FMN, paragraphs 190-199.


³⁷ FMN, paragraph 509.

³⁸ FMN, paragraph 517; Parties' response to the Issues Letter, 30 May 2023, paragraph 22.

³⁹ Third-party responses to the CMA's RVC questionnaire, question 7.

⁴⁰ Note of a call with a third party.

products with different uses.⁴¹ The same respondent noted that consumers who purchase its RVCs have usually already purchased a traditional vacuum cleaner.⁴²

54. The CMA also believes that the Parties' internal documents suggest a meaningful distinction between traditional vacuum cleaners and RVCs. An iRobot internal document suggests UK consumers do not currently have favourable perceptions of RVCs (ie considering RVCs '[45
56. The CMA therefore considers that the product frame of reference should be limited to the supply of RVCs only. The CMA will take into account any out-of-market constraint from traditional vacuum cleaners in its competitive assessment where the evidence supports the existence of such a constraint. The CMA has also not received evidence to suggest that further segmentation of the product scope is necessary. However, the CMA will also take into account any differences between different RVC competitors and models (including in relation to price and functionality) where relevant in the competitive assessment.

Retail supply of RVCs

57. The evidence received by the CMA does not support the Parties' submission that the product frame of reference should be defined to include all consumer sales channels.
58. The CMA considers that there are a number of features that differentiate online sales channels from offline sales channels which are likely to be relevant to a consumer purchasing an RVC, or a retailer selling an RVC (for example, the availability of customer reviews and ability to order and accept delivery from home). The CMA notes that online and offline suppliers have different business models and,

⁴¹ Third-party response to the CMA's RVC questionnaire, question 7.

⁴² Third-party response to the CMA's RVC questionnaire, question 7.

⁴³ Parties' response to the Issues Letter, 30 May 2023, paragraph 56; iRobot Internal Document, Annex 26 to the FMN, UKCMA00018088, speaking notes, slide 25.

⁴⁴ Amazon Internal Document, Amazon Annex – CMA DMN – s 10.022, pages 3, 13-14.

⁴⁵ iRobot Internal Document, Annex 26 to the FMN, UKCMA00018088, slides 24- 26; iRobot Internal Document, Annex 38 to the FMN, pages 151, 210-212 and 216; iRobot Internal Document, Annex 42 to the FMN, pages 122-124.

from a consumer perspective, online and offline stores offer different value propositions.

59. The CMA considers that iRobot internal documents demonstrate the importance of online sales channels, in particular in the supply of RVCs in the UK. iRobot's internal documents indicate that the vast majority ([90-100]%) of RVC sales in the UK are conducted online, with Amazon as the largest seller, and outline iRobot's plans to [✂].^{46,i}
60. Third-party evidence received by the CMA also largely supports segmentation between online and offline sales channels. Most RVC competitors who responded to the CMA's investigation indicated that they do not sell RVCs offline in the UK, or that the majority of their RVC sales in the UK are online.⁴⁷ Evidence from retailers in the UK also indicates their limited interest and intention to facilitate offline sales of RVCs; UK retailers who responded to the CMA's investigation noted that they stock limited RVC brands and models in their physical stores. The CMA considers that the evidence does not indicate that retailers expect to considerably expand their stock of RVCs in UK stores in the near future.⁴⁸
61. The CMA therefore considers that the product frame of reference should be defined to include only online retail channels for the supply of RVCs. However, the CMA will take into account any potential constraint from offline physical stores, both currently and in the future, as part of its competitive assessment where the evidence supports the existence of such a constraint.

Smart home platforms

62. The CMA has also considered the impact of the Merger on smart home platforms, where groups of smart home devices interact and operate together. These smart home platforms are often managed and connected through a smart home assistant or a virtual assistant. Amazon, for example, operates a smart home platform in which its virtual assistant, Alexa, interoperates with a number of first-party and third-party smart home devices, including RVCs, lights, and cameras. The Parties did not provide detailed submissions on the correct product frame of reference for the

⁴⁶ iRobot Internal Document, Annex s. 10.064, slide 143; iRobot Internal Document, UKCMA00018088, slides 16, 36. As described in paragraph 37(b) of this Decision, data submitted by the Parties suggests that the percentage of RVC sales conducted online is in fact [90-100]%.
⁴⁷ Third-party responses to the CMA's RVC questionnaire, question 5.
⁴⁸ Third-party responses to the CMA's retailer questionnaire, question 3, question 4 and question 8.

supply of smart home platforms, but did submit that Amazon was just one of a large, and growing, number of players operating in the smart home environment.⁴⁹

CMA's conclusion on product scope

63. For the reasons set out above, the CMA has considered the impact of the Merger using the following product frames of reference:
- (a) Supply of RVCs, excluding traditional vacuum cleaners and other types of floor care products;
 - (b) Online retail supply of RVCs, excluding physical stores; and
 - (c) Smart home platforms.

Geographic scope

Parties' submissions

64. The Parties submitted that the relevant geographic frame of reference for the sale of floor care products is UK-wide but that the precise definition can be left open as the Merger does not raise competition concerns under any plausible frame of reference.⁵⁰

CMA's assessment and conclusion

65. Internal documents and third-party evidence received by the CMA support the Parties' submission regarding the geographic frame of reference. In particular, the CMA notes that the competitive landscape for RVCs in the UK differs from that in the US and Europe (as is discussed in further detail in the competitive assessment). The CMA therefore considers that the geographic frame of reference for the supply of RVCs is national, ie UK-wide in scope.
66. Taking into account the presence of UK-specific retailers, and the different retail strategies of certain RVC providers (including iRobot) in the UK, the CMA considers that the geographic frame of reference for the online retail supply of RVCs is also national in scope.

⁴⁹ FMN, paragraphs 349-355.

⁵⁰ FMN, paragraph 522 and 523.

67. The CMA has considered the impact of the Merger in relation to smart home platforms globally. In any event, the precise boundaries of the geographic frame of reference do not affect the findings of the CMA's competitive assessment.

Conclusion on frame of reference

68. For the reasons set out above, the CMA has considered the impact of the Merger using the following frames of reference:
- (a) Supply of RVCs in the UK, excluding traditional vacuum cleaners and other types of floor care products;
 - (b) Online supply of RVCs in the UK, excluding physical stores; and
 - (c) Smart home platforms globally.

COUNTERFACTUAL

69. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.⁵¹
70. The Parties submitted that the relevant counterfactual is the existing competitive situation.⁵²
71. The evidence in this case indicates that Amazon was [redacted] to launch an RVC while simultaneously negotiating the Merger.⁵³
72. However, the Parties submitted it would be inappropriate to include Amazon's efforts to develop an RVC as part of the prevailing conditions of competition. The Parties stated that Amazon's plans [redacted]; there was no guarantee Amazon could successfully launch an RVC in the UK; entry would take longer than [redacted] years; and

⁵¹ [CMA129](#), from paragraph 3.12.

⁵² FMN, paragraph 110.

⁵³ This is discussed in further detail in the competitive assessment below.

that even if Amazon entered it would not have impacted the competitive landscape.⁵⁴

73. The CMA has considered in detail the Parties' arguments and evidence on this. This is discussed in paragraphs 94 to 109 of the competitive assessment. For the reasons given in that assessment, the CMA considers that it is likely that Amazon would have entered with its own RVC and therefore has considered the Merger against a counterfactual in which Amazon continues in its efforts to develop its own RVC.

COMPETITIVE ASSESSMENT

Background to the UK RVC market

74. As part of its assessment, the CMA has assessed competitive dynamics within the UK RVC market and how the market is likely to evolve in the future. The CMA considers the future evolution of the market is relevant to the assessment of the Merged Entity's incentives, particularly in relation to the vertical theories of harm which are examined in detail below.
75. The CMA notes that there is low penetration of RVCs among UK households and the RVC market in the UK remains very small despite RVCs having been available to consumers for around 20 years. At the same time, evidence from the Parties and some third parties indicates that the higher take-up of RVCs in some other countries is generally encouraging suppliers to continue to develop their offerings, often with products that have newer functionalities and offer greater convenience to customers. Accordingly, while take-up of RVCs in the UK has been limited to date, ongoing product development could prompt some growth (eg if ongoing innovation overcomes historical barriers to adoption). This would, in turn, be likely to have a direct impact on the incentives of key market participants, including the Merged Entity and other suppliers and retailers, in relation to both their activities in the supply of RVCs and how those activities fit within their broader business strategies.
76. The CMA has considered a wide range of evidence when assessing the current status, and the recent and anticipated trajectory of the UK RVC market. In particular, the CMA has considered the Parties' submissions and internal documents, third-party submissions and data on the historic trajectory of RVC sales in the UK.

⁵⁴ Parties' response to the Issues Letter, 30 May 2023, paragraph 30-34.

Parties' submissions

77. The Parties submitted that the RVC market in the UK is relatively small. Specifically, iRobot estimates that the share of households that own an RVC is substantially lower in the UK than in some key other European countries given that RVCs account for only 5% of all vacuum cleaner sales in the UK.⁵⁵
78. The Parties further submitted that significant market growth in the UK is not inevitable and would require additional time and investment from suppliers before consumers' strong preference for traditional vacuum cleaners can be overcome.⁵⁶

CMA's assessment

79. The CMA has reviewed iRobot's internal documents and third-party evidence, which confirms that the UK RVC market is relatively small. For example:
- (a) One iRobot internal document estimates that around [0-5]% of UK households own an RVC. By way of comparison, the same document reports that in other European countries between [5-10] and [10-20]% of households own an RVC.⁵⁷
 - (b) Third-party evidence is also generally consistent with the position that there is low ownership of RVCs in the UK, with one RVC competitor estimating that 0.5% of UK households own an RVC.⁵⁸
80. The CMA analysed the recent growth trajectory of the market using data from 2019 onwards. That data suggests that growth in the UK was most significant over 2019-2020 when sales almost doubled (see Figure 1), although the Parties' internal documents suggest this was primarily because of the Coronavirus (Covid-19) pandemic, rather than other factors that mean that this growth is likely to continue.⁵⁹ Since then (and in keeping with this position), growth has plateaued.

⁵⁵ FMN, paragraph 150, table 12 and paragraph 152, Figure 7.

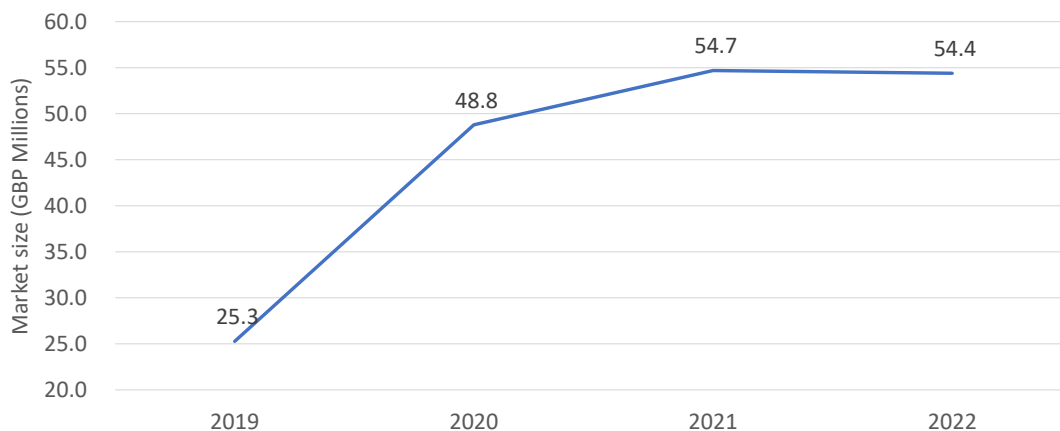
⁵⁶ Parties' response to the Issues Letter, 30 May 2023, paragraph 104.

⁵⁷ iRobot Internal Document, UKCMA00018088, slides 4, 20 and 22.

⁵⁸ Third-party response to the CMA's section 109 notice dated 28 April 2023, internal document, slide 4.

⁵⁹ iRobot Internal Document, UKCMA00001665, slide 48.

Figure 1: UK RVC market – recent growth trajectory



Source: CMA analysis using data from the Parties and third parties.

81. In respect of future market trajectory, the limited evidence seen by the CMA has been more mixed:

- (a) iRobot’s internal documents note that the UK has growth potential, although this is often caveated by references to challenging market conditions.⁶⁰
- (b) An internal document received from an RVC competitor suggests a moderate annual growth rate of [5-10%] over 2021-2031 and that the UK is likely to become a key European market for the supply of RVCs.⁶¹
- (c) Some UK retailers focused on consumer electronics indicated plans to expand their range of RVCs within the next two to three years,⁶² although other larger retailers indicated that they do not foresee expanding their range of RVCs.⁶³

CMA conclusion

82. The CMA considers that the available evidence generally supports the Parties’ position that the UK RVC market is small, relative to other European markets, and is characterised by very low rates of RVC penetration. In particular, the available evidence shows that the UK RVC market has seen some modest growth in recent

⁶⁰ iRobot Internal Document, UKCMA00018088, slide 4; iRobot Internal Document, Annex 36 to the FMN, slide 146; iRobot Internal Document, Annex - CMA DMN - s.10.064, slides 142-144.

⁶¹ Third-party response to the CMA’s section 109 notice dated 28 April 2023, internal document, slide 5.

⁶² Third-party responses to the CMA’s UK retailer questionnaire, question 4.

⁶³ Third-party responses to the CMA’s UK retailer questionnaire, question 4.

years, which was primarily attributed to the Coronavirus (Covid-19) pandemic, but that the significant rate of the growth during the pandemic has not been maintained.

83. The CMA has not seen any evidence to suggest that the size of the market for the supply of RVCs in the UK, and the number of households that own an RVC in the UK, is likely to increase markedly (ie beyond moderate growth) in the future.

Theories of harm

84. The CMA has focused its assessment on:

- (a) horizontal unilateral effects through the loss of future competition in the supply of RVCs in the UK;
- (b) vertical effects in relation to the global supply of smart home platforms through the foreclosure of smart home platform competitors; and
- (c) vertical effects in relation to the supply of RVCs through the foreclosure of RVC competitors in the UK, via Amazon.co.uk.

85. The CMA has also received concerns from a few third parties regarding the Merger's impact on the privacy of consumer data, including the Merged Entity's ability to gather and combine various sources of consumer data.⁶⁴ The CMA has considered how the Merged Entity's access to data could impact competitors, and ultimately consumers, within the competitive assessment.

Loss of future competition in the supply of RVCs in the UK

86. Mergers involving a potential entrant can lessen competition as they may imply a loss of the future competition between the merger firms after the potential entrant would have entered or expanded.⁶⁵ The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC in relation to the loss of future competition in the supply of RVCs in the UK.

87. The concerns under this theory of harm are that the Merger eliminates Amazon's incentives to enter the RVC space and therefore the Merger may remove any future competition between Amazon and iRobot. To assess this, the CMA has considered

⁶⁴ Note of a call with a third party. Privacy International's submission to the CMA, 2 May 2023.

⁶⁵ [CMA129](#), paragraph 5.2.

the likelihood of Amazon entering the supply of RVCs, and how that entry might affect competition in the supply of RVCs in the UK.⁶⁶

Likelihood of entry by Amazon

88. The CMA may consider a range of evidence on the prospect of entry by the merger firms. Entry may be considered more likely where a merger firm has the incentive and ability to enter; has well-developed plans or has already taken significant steps towards entry; where incumbent firms are taking action in anticipation of its entry; or where it has a past history of entry into related markets.⁶⁷

Parties' submissions

89. The Parties submitted that they have no current overlap in the supply of RVCs in the UK (or elsewhere). They noted that Amazon sold an RVC product as part of its Amazon Basics range between 2019 and 2022, but that this had more limited functionalities than those supplied by iRobot and that Amazon ceased supplying it in July 2022.⁶⁸

90. The Parties submitted that, between 2020 and 2022, Amazon considered developing a different RVC with a [redacted] than its previous model, including [redacted] capabilities. This project was known internally (and interchangeably within Amazon) as Project [redacted] and/or Project [redacted] and was to be developed [redacted].⁶⁹

91. The Parties also submitted that introducing RVCs is [redacted] to Amazon's broader Consumer Robotics (**CoRo**) strategy, stating that many of its internal documents reference [redacted] other types of robots as well.⁷⁰

92. The Parties submitted that engagement with [redacted] progressed along the following timeline:

(a) By January 2022: Amazon had entered into an [redacted], and was exclusively working [redacted].

(b) In March 2022: following concerns from Amazon regarding [redacted], the Amazon CoRo team proposed cancelling its project to launch an RVC, ie Project [redacted].

⁶⁶ [CMA129](#), paragraph 5.9 to 5.16.

⁶⁷ [CMA129](#), paragraph 5.10.

⁶⁸ FMN, paragraphs 37, 71 and 174-179.

⁶⁹ FMN, paragraph 316.

⁷⁰ Parties' response to the Issues Letter, 30 May 2023, paragraphs 172-180.

- (c) After March 2022: senior management ceased prioritising the project to launch an RVC. It did not get approval for [redacted] and was removed from the priorities for the CoRo team.⁷¹
- (d) In May 2022: [redacted] revised its proposal to reduce the [redacted] of the RVC unit to Amazon's desired range.
- (e) In July 2022: discussions with [redacted] were terminated because the revised proposal involved a substantial [redacted], including [redacted] features, and because [redacted] would require [redacted] months to develop the product before launch.⁷²

93. The consideration of the launch of an RVC product overlapped with Amazon's consideration of the Merger:

- (a) The Parties submitted that the Merger was first contemplated by Amazon in mid-November 2021.⁷³
- (b) Amazon then approached iRobot to discuss a potential transaction in May 2022 and the Merger was formally agreed in August 2022.⁷⁴

CMA's assessment

94. The CMA examined the likelihood of Amazon's entry into the supply of RVCs and considered in particular: the timing of Amazon's activity in the RVC market; Amazon's internal documents; and Amazon's characteristics relevant to its ability to enter into the supply of RVCs.

The timing of Amazon's activity in the RVC market

95. When considering the timing of Amazon's efforts to enter the RVC market, the CMA has taken into account not only the steps taken by Amazon, but also whether decisions taken in relation to entry could have been influenced by the Merger. The CMA has, in this regard, placed particular weight on evidence that pre-dated merger negotiations, as well as the broader incentive and ability of Amazon in relation to the supply of RVCs.⁷⁵

⁷¹ Parties' response to the CMA's request for information dated 10 March, paragraph 1.4.

⁷² Parties' response to the CMA's request for information dated 10 March, paragraph 1.6.

⁷³ Amazon response to the CMA's section 109 notice dated 9 November 2022, paragraph 1.2.

⁷⁴ FMN, paragraph 21.

⁷⁵ [CMA129](#), paragraph 2.29.

96. As submitted by the Parties, Amazon had been considering entering the supply of RVCs for several years in various forms, including via its Amazon Basics model, and its [redacted] to launch a new model under the name Project [redacted].
97. The CMA notes that the evidence provided by the Parties in relation to Amazon's potential entry into the supply of RVCs is global in nature. The decision by Amazon [redacted] was a decision taken at the [redacted], rather than being UK-specific (and was not therefore related to the size of the UK RVC market or Amazon's plans in the UK market specifically). Furthermore, the CMA notes that the specification of the RVC to be developed – for example, both the [redacted] and [redacted] of such a product – were also not UK-specific choices. Therefore, Amazon's strategic incentives to enter were not specific to, or reliant on, the UK.
98. However, the CMA also considers (in the absence of any other evidence to the contrary) that any Amazon RVC product developed globally would be supplied in the UK market, given that the additional costs of UK entry would likely be limited.
99. The timeline provided by the Parties confirms that the decision to terminate both Amazon's RVC projects was made in [redacted] 2022 (Amazon Basics and Project [redacted]).⁷⁶ This was some time after the Merger was first in contemplation (November 2021) and after the formal discussions with iRobot first began in May 2022.
100. The CMA believes that the timing of this decision indicates that it may have been influenced by discussions relating to the Merger. The CMA has therefore examined Amazon's internal documents to assess Amazon's incentives and ability to enter, absent the Merger.

Internal documents

101. Several internal documents indicate that Amazon would have continued to pursue the development and launch of its own RVC absent the Merger.
102. Amazon internal documents indicate that Amazon views selling robots that clean as an important part of its strategy to increase [redacted] and to grow its [redacted]. While the CMA acknowledges that Amazon's internal documents identify plans to [redacted],⁷⁷ the CMA does not consider that such references signify that cleaning robots are (by implication) not important for Amazon's [redacted].

⁷⁶ This timeline is also confirmed in the Parties' internal documents, which are discussed in further detail below.

⁷⁷ For example, Amazon Internal Document, Amazon Annex – CMA DMN – s10.014.

103. Contrary to the Parties' submissions that the project to launch an RVC was removed from the priorities for the CoRo team in March 2022, internal documents indicate that Amazon was still pursuing the development of its own RVC after March 2022. Further, the CMA considers that the evidence indicates that Amazon reacted favourably to the revised proposal submitted [REDACTED] in May 2022. Amazon internal documents indicate that the revised proposal represented a viable path forward. Specifically, issues around [REDACTED] had been resolved; the proposed RVC would still support Amazon's [REDACTED] plans; and the RVC could be launched within [REDACTED] months.⁷⁸ This timeline appears to contradict the Parties' submission to the CMA that entry would have taken considerably longer than [REDACTED] years (paragraph 7272).⁷⁹
104. Moreover, the CMA considers that the available evidence contradicts Amazon's submissions that there was no senior management consideration of Project [REDACTED] after March 2022. By contrast, the evidence indicates that senior management kept Project [REDACTED] under consideration even after an approach had been made to iRobot regarding the Merger. The CMA therefore considers that Amazon internal documents confirm the temporal and substantive overlap between Project [REDACTED] and the Merger.⁸⁰

Amazon's characteristics relevant to its ability to enter the supply of RVCs

105. When assessing the loss of future competition brought about by a merger, the CMA may consider whether the potential entrant has the ability to enter, including any features that would affect how well-placed it is to enter.⁸¹ Therefore, in addition to evidence that Amazon has been taking steps to enter the supply of RVCs, the CMA has also considered the capabilities held by Amazon that could make it well-placed to successfully enter into the supply of RVCs:
- (a) Financial and technical resources: Amazon has extensive financial resources, with 2021 turnover of over £340,000 million,⁸² and therefore is well placed to fund investment in the supply of RVCs (if that supports its broader strategic objectives), and to contract with leading developers and manufacturers.

⁷⁸ Amazon Internal Document, Amazon Annex - CMA DMN - s. 10.004.

⁷⁹ Parties' response to the Issues Letter, 30 May 2023, paragraph 32. The CMA notes, in any case, that the time horizon for its assessment of a merger will depend on the context of the case. For example, when considering entry by a merger firm, becoming successful can take longer than two years in some instances (although the CMA will maintain a reasonable period). See CMA129, paragraph 3.15. On this basis, the fact that it would take Amazon longer to enter the market through organic expansion than through the Merger does not mean that organic entry should not be considered a plausible option for the purposes of competitive assessment.

⁸⁰ Amazon internal Document, AMZN-IRBT-CMA-0000027436.

⁸¹ [CMA129](#), paragraph 5.16.

⁸² FMN, Table 10.

- (b) Control of an important sales channel: The data available to the CMA indicates that around three-quarters of all RVCs sold in the UK are sold via Amazon's website.⁸³
- (c) Previous experience in consumer robotics and smart home devices: Amazon has a dedicated CoRo team and has experience in developing and launching its own devices, such as Echo, Fire TV and Astro.
- (d) A strong brand for consumer/household goods: Amazon is a well-known brand with several popular smart home products and devices (including Alexa, Ring and Blink). The CMA considers this brand recognition would be an important competitive capability for Amazon in entering the RVC space.

Conclusion on likelihood of entry by Amazon

- 106. The CMA considers that Amazon's internal documents show a strong strategic interest in using robots that clean as a strategy to [REDACTED].
- 107. The CMA also considers that evidence from Amazon's internal documents and correspondence show that Amazon did not deprioritise its plan to launch its own RVC (Project [REDACTED]) until after the Merger was in contemplation. The CMA believes the evidence suggests that Amazon pursued the two options simultaneously with a view to executing one or the other.
- 108. Furthermore, the CMA considers that Amazon has a suite of existing capabilities that make it well-placed to enter the supply of RVCs.
- 109. On this basis, the CMA therefore considers that Amazon would likely have entered into the supply of RVCs absent the Merger.

Impact of entry by Amazon on competition in RVCs

Parties' submissions

- 110. The Parties submitted that there is no current overlap between the Parties for RVCs in the UK.
- 111. In response to the CMA's suggestion that the evidence indicates that any entry by Amazon would likely make it a close competitor to iRobot, the Parties acknowledged that, as part of Amazon's plans to launch an RVC, Amazon and [REDACTED] conducted [REDACTED]

⁸³ See Table 2 of this Decision.

using the iRobot [REDACTED]. The Parties submitted, however, that iRobot was at the time the leading supplier of RVCs in the US, where Amazon's CoRo team was based, and so it would be surprising if CoRo had not [REDACTED].⁸⁴ The Parties indicated that similar [REDACTED] were also performed by Amazon using [REDACTED] RVCs.⁸⁵

112. The Parties also submitted that there is strong competition for the supply of RVCs in the UK. In accordance with the shares of supply they submitted (which are considered below), the Parties consider that Eufy is the leading supplier of RVCs in the UK, with Ecovacs also enjoying a more significant market position than iRobot.⁸⁶ The Parties noted that competitors like Honiture, Lefant, Proscenic/Coredy, Deenkee and Bagotte, as well as Eufy and Ecovacs, were the highest selling RVCs on Amazon in the UK.⁸⁷ Even if the CMA were to consider Amazon's possible entry in comparison with iRobot's RVC functionality, the Parties submitted that there would remain other suppliers with similar (or better) functionality – for example, the Parties submitted Coredy, Dreame, Ecovacs, Eufy, Midea, Proscenic and Roborock sell RVCs that contain object avoidance, home mapping, voice command, 2-in-1 mopping and self-emptying capabilities.⁸⁸ The Parties also submitted that iRobot lags behind its competitors in relation to introducing home monitoring features into RVCs.⁸⁹
113. Furthermore, the Parties submitted that iRobot also faces competition in the UK from traditional vacuum cleaner brands.⁹⁰ The Parties described suppliers such as Dyson, Shark, Vax and Hoover as well-resourced and well-established and benefitting from strong brand loyalty.⁹¹
114. Finally, the Parties submitted that irrespective of iRobot's position in the UK today, iRobot is losing market share.⁹² The Parties described iRobot's financial position as worsening and that it is [REDACTED], in particular making it difficult for iRobot to [REDACTED] of its RVCs.⁹³

⁸⁴ Parties' response to the Issues Letter, 30 May 2023, paragraph 190.

⁸⁵ Parties' response to the Issues Letter, 30 May 2023, paragraph 190.

⁸⁶ Parties' response to the Issues Letter, 30 May 2023, paragraph 77-79(b).

⁸⁷ FMN, paragraph 171.

⁸⁸ Parties' response to the Issue Letter, 30 May 2023, paragraph 85-89, in particular Table 2.

⁸⁹ Parties' response to the Issues Letter, 30 May 2023, paragraphs 90-95.

⁹⁰ FMN, paragraphs 132-133.

⁹¹ FMN, paragraphs 132-133.

⁹² Parties' response to the Issues Letter, 30 May 2023, paragraphs 74-75.

⁹³ Parties' response to the Issues Letter, 30 May 2023, paragraphs 111-128.

CMA's assessment

Internal documents

115. The CMA reviewed the Parties' internal documents to assess how competition may have been affected had Amazon entered with its own RVC.
116. The internal documents support to a significant degree the Parties' submissions outlined in paragraphs 110 to 112.
117. Evidence from the Parties and third parties indicates that price and functionality are the two leading factors that customers take into account when considering an RVC.⁹⁴ The Parties' internal documents are generally consistent with this position, with internal documents from iRobot, for example, segmenting RVCs by price band.⁹⁵ Therefore, the CMA considers that, as a starting point, RVCs at similar price points and similar degrees of functionality are likely to be closer competitors than RVCs at much different price points.
118. Amazon internal documents and email correspondence indicate that Amazon and [redacted], were [redacted] of the proposed RVC against iRobot's [redacted]. In particular, the CMA notes that Amazon's assessment of [redacted] revised proposal of May 2022 includes [redacted] iRobot's [redacted].⁹⁶ The CMA also notes that some Amazon internal documents also contain some consideration of [redacted] products (for example, [redacted]).⁹⁷
119. Evidence submitted by the Parties also indicates that the functions and performance abilities Amazon was seeking to emulate from iRobot's [redacted] (such as [redacted]) are common features amongst most competitors of RVCs. Further, as submitted by the Parties, [redacted] against iRobot [redacted] may have been indicative of its market position in the US rather than plans to closely follow its [redacted].
120. The CMA also reviewed iRobot's internal documents which discuss alternative constraints in the UK. The Parties submitted that these documents generally focus on assessing competition in countries where iRobot has a larger presence. The Parties submitted that iRobot's documents therefore contain limited assessment of the UK market, and that discussion of global competitive conditions is not

⁹⁴ Third-party responses to the CMA's RVC questionnaire, question 9.

⁹⁵ iRobot Internal Document, UKCMA00018088, slides 24-25; iRobot Internal Document, UKCMA00003276, pages 26-31.

⁹⁶ Amazon Internal Document, AMZN-IRBT-CMA-0000000313. See also Amazon Internal Document, AMZN-IRBT-CMA-0000027275.

⁹⁷ Amazon Internal Document, Amazon Annex - CMA DMN - s. 10.016, page 1; Amazon Internal Document, AMZN-IRBT-CMA-0000000299, pages 6-7.

necessarily reflective of competitive conditions in the UK.⁹⁸ Notwithstanding this position, although limited in number, the iRobot internal documents that do discuss competition in the UK indicate the presence of multiple strong alternative constraints in the UK. For example:

- (a) one internal document dated June 2022 suggests that there are a large number of suppliers active in the UK and that the main parameter of competition is price ('[redacted]' RVCs). The document notes that, aside from two RVC models from iRobot, RVCs from Ecovacs, Eufy and Coredy featured within the best-selling 15 RVCs on Amazon.co.uk (in 2021). In addition, the document notes that other competitors, such as Proscenic, Midea, Bagotte and Honiture, also supply RVCs in the UK;⁹⁹
- (b) one internal document dated May 2022, which assesses strength of the iRobot brand in the UK, indicates that iRobot views [redacted] as the only competitor currently seeking to grow significantly in the UK.¹⁰⁰

121. iRobot's internal documents also present suppliers of traditional vacuum cleaners as posing a [redacted], stating that UK customers show a strong preference for traditional vacuum cleaners¹⁰¹ and that the wider vacuum cleaner segment in the UK is strong, with well-established traditional vacuum manufacturers, such as Shark, Dyson, Vax, Bosch and Samsung.¹⁰²

122. The internal document evidence suggests that, if Amazon were to enter into the supply of RVCs in the UK, it would need to compete against a number of strong competitors in addition to iRobot (in particular, Ecovacs and Eufy but also a number of others to a lesser extent). The CMA also believes that there may be some (limited) out-of-market constraint from traditional vacuum cleaners, particularly because RVC penetration remains low in the UK.

Third-party evidence

123. Third-party evidence supports the Parties' submissions and internal documents that there are multiple companies selling RVCs in the UK who would compete against iRobot and any entry by Amazon following the Merger.

⁹⁸ Parties' response to the Issues Letter, 30 May 2023, paragraph 52.

⁹⁹ iRobot Internal Document, UKCMA00018088, slides 24-26.

¹⁰⁰ iRobot Internal Document, s.10.007, slide 81.

¹⁰¹ iRobot Internal Document, UKCMA00001665, slide 48; iRobot Internal Document, s.10.007, slide 81.

¹⁰² iRobot Internal Document, UKCMA00018088, speaker notes, slide 25.

124. Third parties agreed that Ecovacs and Eufy are the two main suppliers in the UK. Third parties also indicated that other competitors include Dyson, Samsung and Roborock, in addition to smaller suppliers, such as Dreame and Miele.¹⁰³ One RVC competitor described strong potential for entry and expansion from Chinese competitors, such as Haier, Midea and Narwal.¹⁰⁴
125. The CMA believes that the third-party evidence shows that there are strong competitors in the supply of RVCs in the UK and that consumers have a range of alternative suppliers to choose from. These alternatives include suppliers with higher UK sales than iRobot, such as Eufy and Ecovacs. In addition, smaller players like Dyson, Samsung and Roborock are currently active with recognised brands and, in the case of Samsung and Roborock, with a wide range of products similar to iRobot's.
126. As noted above, third-party evidence also indicates that when purchasing RVCs, UK consumers are less interested in brand and that the main parameters of competition are instead price and quality.¹⁰⁵ This suggests that RVC competitors with a smaller market presence in the UK, but that sell RVCs at similar prices and functionalities may also act as a moderate constraint in aggregate, including against iRobot's RVCs, in the UK.
127. Third-party evidence is also helpful in understanding how closely different RVC suppliers compete. Although the CMA notes that iRobot has a wide portfolio of RVCs, with its products retailing at different price points and offering varying functions, third-party evidence indicates that some other suppliers in the UK (such as Ecovacs, Samsung and Roborock) similarly offer a wide range of RVCs. This evidence suggests that if Amazon were to enter in competition to iRobot, it would also need to compete against other suppliers who are close to iRobot and, in the case of Ecovacs, a supplier which is materially larger than iRobot in the UK.

Shares of supply

128. The CMA has considered share of supply data in the context of the internal document evidence and third-party evidence discussed above. The CMA considers that the impact of a potential entrant on competition is likely to be more significant where the other merger firm would already have market power absent the merger, with greater market power being associated with a greater likelihood of an entrant

¹⁰³ Third-party responses to the CMA's RVC questionnaire, question 11; Third-party response to the CMA's section 109 notice dated 28 April 2023.

¹⁰⁴ Third-party responses to the CMA's RVC questionnaire, question 15.

¹⁰⁵ Third-party responses to the CMA's RVC questionnaire, question 9.

having a bigger impact on competition.¹⁰⁶ The CMA has therefore considered iRobot’s market position in the UK RVC market by assessing its share of supply, to understand whether Amazon, by entering into the UK RVC market, would have a material impact on competition absent the Merger.

129. The Parties submitted estimated shares of supply for RVCs supplied through both online and offline channels.¹⁰⁷ They used data on iRobot’s actual sales, data from a market research firm (GfK) for other RVC brands and Amazon’s data on third-party sales. In calculating the total market size, the Parties adjusted the data in order to capture third-party sales on non-Amazon marketplaces (based on sales data from market research firm Euromonitor).¹⁰⁸
130. The Parties submitted that, based on their assessment, iRobot’s share of supply of RVCs in the UK was [20-30]% by revenue as of 2021 and [10-20]% by volume as of 2022.¹⁰⁹
131. The CMA adjusted the Parties’ shares of supply estimates for competitors where it received actual revenue figures from third party suppliers. These are set out in Table 1.

Table 1: Shares of supply of RVCs in the UK in 2022

<i>Brand</i>	<i>Share by revenue (GBP)</i>
iRobot	[10-20%]
Ecovacs	[20-30%]
Eufy	[20-30%]
Roborock	[0-5%]
Samsung	[0-5%]
Dyson	[0-5%]
Other*	[20-30%]
Total	100%

Source: CMA analysis of third-party responses and Parties’ submissions

*Includes a tail of other (Chinese centric) providers such as: Coredy, Ultenic, Proscenic, Bagotte, Lefant, Neato, Xiaomi.

132. The shares indicate that although iRobot has a material share of supply in the UK, it lags behind both Ecovacs and Eufy which, together, account for around half of all RVCs sold in the UK.
133. The UK’s largest supplier, Ecovacs, is identified within the Parties’ internal documents and by the third-party evidence as being a particularly strong competitor to iRobot. Ecovacs has a strong international offering and provides over a quarter of

¹⁰⁶ [CMA129](#), paragraph 5.15.

¹⁰⁷ FMN, Tables 17 and 18.

¹⁰⁸ Annex 1 to the FMN.

¹⁰⁹ FMN, Table 16 and Table 17.

all RVCs sold in the UK. The Parties' internal documents and third parties also considered that Eufy (the UK's second largest supplier, only slightly smaller than Ecovacs) provides a strong constraint on iRobot.

134. In addition, the CMA notes that, based on the available estimates of shares of supply as shown in Table 1, [20-30]% of UK sales are attributable to a group of smaller suppliers (including Coredy) that are active in the UK, in addition to Roborock, Dyson and Samsung. These smaller suppliers were also identified in the internal documents and by third parties as providing at least some competitive constraint.
135. On this basis, the CMA considers that iRobot's position in the supply of RVCs in the UK is modest (and that it does not hold market power, which is one scenario in which – as the CMA's guidance makes clear – the CMA is likely to be particularly concerned about the loss of entry from the other merger firm).¹¹⁰ The available evidence also indicates that iRobot will continue to be constrained by a number of competitors in the UK post-Merger.

Conclusion on loss of future competition

136. For the reasons set out above, the CMA believes that Amazon would likely enter into the supply of RVCs absent the Merger. However, the CMA believes that there are multiple credible alternative suppliers of RVCs in the UK and that iRobot faces strong competitive constraints in the UK. As a result, the CMA believes that, even if Amazon developed and launched its own RVC in the UK, any loss of any future competition between the Parties in the UK market would not be substantial.
137. Accordingly, the CMA does not believe that the Merger raises competition concerns as a result of horizontal unilateral effects through the loss of future competition in the supply of RVCs in the UK.

Vertical effects

138. Vertical effects may arise when a merger involves firms at different levels of the supply chain, for example a merger between an upstream supplier and a downstream customer or a downstream competitor of the supplier's customers.
139. In certain circumstances vertical mergers can weaken rivalry, for example when they result in foreclosure of the merged firm's competitors. The CMA only regards

¹¹⁰ [CMA129](#), paragraph 5.15.

such foreclosure to be anticompetitive where it results in an SLC in the foreclosed market(s), not merely where it disadvantages one or more competitors.¹¹¹

140. The CMA has considered whether the Merger gives rise to:

- (a) Vertical effects in relation to the global supply of smart home platforms through the foreclosure of smart home platform competitors.
- (b) Vertical effects in relation to the supply of RVCs in the UK through the foreclosure of RVC competitors, via Amazon.co.uk

141. The CMA's approach to assessing vertical theories of harm is to analyse (a) the ability of the merged entity to foreclose competitors, (b) the incentive of it to do so, and (c) the overall effect of the strategy on competition.¹¹²

Vertical effects in relation to the global supply of smart home platforms through the foreclosure of smart home platform competitors

142. The CMA has considered whether any material competition concerns could arise from the Merger in relation to the global supply of smart home platforms.

143. In particular, the CMA considers that Amazon has an already strong pre-existing market position in relation to products in the UK relevant to the smart home. For example, the CMA notes that:

- (a) Amazon has around a [50-60]% share of the supply of voice assistants on smart speakers in the UK (through Alexa on its smart speaker offering, Echo).¹¹³
- (b) Amazon has around a [30-40]% share of the supply of smart home security in the UK (through its portfolio of Ring and Blink devices that include video doorbells, security cameras and outdoor security lighting).¹¹⁴
- (c) Amazon has a strong offering of cloud infrastructure services through Amazon Web Services, with a share of between 30 and 40% in the UK.¹¹⁵

¹¹¹ In relation to this theory of harm 'foreclosure' means either foreclosure of a rival or to substantially competitively weaken a rival.

¹¹² [CMA129](#), paragraphs 7.10 and 7.25.

¹¹³ Parties' response to the CMA's request for information dated 22 December 2022, Table 16.

¹¹⁴ Parties' response to the CMA's request for information dated 10 March 2023, Table 10.

¹¹⁵ See [Ofcom market study in cloud services, interim report](#), page 69, table 4.13.

144. The CMA considered whether there were any capabilities or assets that iRobot had which were or could become important for competition between Amazon and its smart home competitors, and in particular focused on iRobot’s mapping technology and data assets, which iRobot has highlighted in public statements as potentially valuable for smart home uses.¹¹⁶ Therefore, the concern under this theory of harm is whether the Merged Entity could use its ownership of iRobot mapping and data assets to harm the competitiveness of rival smart home platform providers. This might, in turn, harm overall competition in the global supply of smart home platforms, to the detriment of UK consumers who wish to purchase smart home devices and services.

Ability

145. The Parties submitted that iRobot’s mapping and data assets are not an important input to smart home platform competitors nor to Amazon’s smart home platform strategy. In particular, the Parties submitted that although Amazon had considered iRobot’s assets in aiding its smart home mapping initiatives, Amazon had ultimately concluded on using mapping technology on [redacted] and [redacted] devices.¹¹⁷ The Parties submitted that Amazon had opted to use these types of technology given their wider reach, as made possible through the [redacted].¹¹⁸

146. The Parties further submitted that iRobot’s mapping data assets are not unique as an input. In particular, the Parties submitted that there are a number of RVC providers, such as Ecovacs, Roborock and Samsung, that all have equal mapping capabilities.¹¹⁹

147. The Parties also submitted that Amazon obtaining mapping data from iRobot was [redacted] within Amazon’s valuation for the purposes of the Merger.¹²⁰

148. The CMA considers that both the Parties’ internal documents and third-party competitor responses are broadly consistent with the Parties’ submissions. While the CMA does consider that there is some evidence to suggest potential use cases of the mapping data that iRobot collects for smart home platforms,¹²¹ third-party

¹¹⁶ See for example [iRobot revamps its robot vacuums’ brains with the launch of iRobot OS - The Verge](#).

¹¹⁷ Parties’ response to the CMA’s request for information dated 10 March 2023 paragraphs 18.3 and 18.4.

¹¹⁸ Parties’ slide deck in response to the Issues Letter, slide 31.

¹¹⁹ Amazon submission to the CMA, 9 May 2023, paragraph 7.8.

¹²⁰ Parties’ slide deck in response to the Issues Letter, slide 31.

¹²¹ Amazon Internal Document, AMZN-IRBT-CMA-0000002612, page 1, 11, 3 and 9; Amazon Internal Document, AMZN-IRBT-CMA-0000027088; Amazon Internal Document, Amazon Annex – CMA s. 109 2 – Q.5.3, pages 5 and 7; Amazon Internal Document, 4c-10 and Amazon Internal Document; Amazon Internal Document, AMZN-IRBT-CMA-0000029891, page 3; iRobot Internal Document, Annex 83 to the FMN; and iRobot Internal Document, Annex 82 to the FMN; Third-party response to the CMA’s smart home questionnaire.

competitors did not indicate that iRobot's mapping assets would be important to their smart home platform strategy.¹²² Consistent with such responses, and in light of the position (as set out above) that the UK RVC market is not expected to grow significantly in future, the CMA considers it is unlikely that mapping data from RVCs (including iRobot), will be of significant importance as an input to smart home platform competitors going forward.

149. Moreover, third-party evidence from key RVC competitors indicates that they have similar mapping capabilities to iRobot.¹²³ The CMA considers therefore that Amazon's rival suppliers of smart home systems would be able to acquire or partner with rival RVC suppliers to obtain a similar input to that provided by iRobot.
150. More broadly, Amazon internal documents also highlight that technology from [X] and [X] is more favourable to Amazon's efforts of building an accurate floorplan for its smart home purposes than iRobot's mapping data would be, given its high consumer coverage relative to other methods considered.¹²⁴
151. Based on the evidence above, the CMA considers that iRobot's mapping assets are generally not an important input for providers of smart home platform providers and that there are, in any case, a number of RVC competitors with mapping capabilities similar to iRobot that can be used as an alternative by smart home platforms competitors.
152. The CMA therefore considers that the Merged Entity will have no ability to foreclose rival smart home platforms as a result of acquiring iRobot mapping assets.

Incentive and effect

153. Given the CMA has found that the Merged Entity will not have the ability to foreclose, the CMA has not considered either incentive or effect for its assessment.

Conclusion

154. For the reasons set out above, the CMA believes that the Merged Entity will not have the ability to foreclose rival smart home platforms on a global basis following the Merger. Accordingly, the CMA found that the Merger does not raise any

¹²² Third-party responses to the CMA's smart home questionnaire.

¹²³ Third-party responses to the CMA's RVC questionnaire.

¹²⁴ See for example, Amazon Internal Document AMZN-IRBT-CMA-0000026988.

competition concerns as a result of vertical effects in relation to the global supply of smart home platforms.

Vertical effects in relation to the supply of RVCs in the UK through the foreclosure of RVC competitors, via Amazon.co.uk

155. Under this theory of harm, the CMA has investigated whether the Merged Entity could use its control of Amazon.co.uk, as a route to selling RVCs in the UK market, to harm RVC competitors' competitiveness, for example, by raising costs to RVC competitors or otherwise making it more difficult for competing suppliers to sell on Amazon.co.uk. This might then harm overall competition in the supply of RVCs in the UK, to the detriment of those customers purchasing RVCs in the UK.

Ability

156. The CMA has assessed the Merged Entity's ability to foreclose as follows:

- (a) First, the CMA has considered the range of possible mechanisms, using Amazon.co.uk, through which the Merged Entity could potentially harm RVC competitors post-Merger.
- (b) Second, the CMA has assessed the extent to which Amazon has market power in the retail supply of RVCs in the UK, and whether this is likely to continue in the future.¹²⁵

157. The CMA's Merger Assessment Guidelines indicate that an assessment of whether a merged entity will have the ability to foreclose its rivals will typically take into account the importance of the input supplied by the upstream firm in shaping downstream competition (in addition to the merged entity's upstream market power).¹²⁶ In this case, the CMA considers (for the reasons set out in more detail below) that retail sales channels are important to RVC competitors in the UK, as the primary way of getting their products to customers. This is largely evidenced by the importance that RVC competitors place on Amazon as a route to market. This is considered in detail within the CMA's assessment of Amazon's market power in the retail supply of RVCs in the UK (below) and is therefore not considered separately in this Decision.

¹²⁵ [CMA129](#), paragraph 7.14 (a).

¹²⁶ [CMA129](#), paragraph 7.14 (b).

Mechanisms of foreclosure

158. In assessing possible foreclosure mechanisms, in line with the approach set out in the Merger Assessment Guidelines, the CMA has not focused on predicting the precise actions the Merged Entity would take.¹²⁷ Rather, the CMA's focus has been to understand if there are plausible mechanisms that would, collectively, allow the Merged Entity to foreclose RVC competitors.

Parties' submissions

159. The Parties submitted that Amazon would be unable to foreclose RVC competitors through changes to how products are displayed.¹²⁸ In particular:
- (a) Amazon's [✂] search results ranking models do not account for whether a product sold on Amazon.co.uk is sold by Amazon itself or a third-party seller or whether the product is an Amazon product or a third-party product.¹²⁹ The Parties submitted that Amazon would not be able to change the algorithm without losing customer trust.¹³⁰
 - (b) Shoppers on Amazon.co.uk are sophisticated and therefore will seek out and purchase the product that most closely matched their needs.¹³¹ As a result, the Parties submitted that mechanisms such as changing the ordering of search results will not be a viable way to foreclose RVC competitors.

CMA's assessment

160. The CMA notes that feedback from RVC competitors indicates that an array of self-preferencing strategies may be available to the Merged Entity, including manipulating search rankings, restricting competitors' access to attractive placements on Amazon.co.uk, including advertising placements, using rivals' sales data to self-preference its own product and raising commission fees, or generally worsening terms, such as increasing advertising costs.¹³²

¹²⁷ [CMA129](#), paragraph 7.13.

¹²⁸ Parties' response to the Issues Letter, 30 May 2023, paragraphs 231 to 245.

¹²⁹ FMN, paragraph 502.

¹³⁰ Parties' response to the Issues Letter, 30 May 2023, paragraph 232.

¹³¹ Parties' response to the CMA's request for information dated 10 March 2023, question 24, paragraph 24.3.

¹³² Third-party responses to the CMA's RVC questionnaire, question 20; Third-party response to the CMA's RVC questionnaire, question 23.

161. The CMA has also considered data submitted by the Parties in relation to the share of RVC purchases following a search for ‘robot vacuum cleaner’ on Amazon.co.uk,¹³³ associated with each search position in 2022.
162. Based on the data submitted,¹³⁴ the CMA observed that:
- (a) The sales of RVCs associated with the top two positions appear to originate mostly from advertisements and merchandising on the Amazon.co.uk platform. That is, for the first and second position, the share of total purchases generated from advertisements and merchandising, was over [80-90]% and [70-80]% respectively. The sales of the top two positions combined, accounted for around [10-20]% of total purchases following a search for ‘robot vacuum cleaner’.
 - (b) The ordering of search results from the third position onwards – which are primarily the [X] search results – has a significant impact on the final sales of RVCs following a search. That is, the highest share of purchases (around [20-30]%) are made for the product in the third position (ie the first [X] result), and the share of purchases allocated to each search position decreases with each step down in the results.
 - (c) In total, around [60-70]% of purchases following a search are made from the top [X] search results.
163. The CMA considers that this evidence highlights the ways in which the Merged Entity could foreclose RVC competitors. For example:
- (a) First, the Merged Entity will be able to directly influence the extent to which iRobot and competitor RVCs are featured in the advertising and merchandising placements which typically appear in the first two search positions in relation to search terms for RVCs on Amazon.co.uk – for example, by featuring iRobot products in these placements in place of third-party adverts.¹³⁵ In this way, iRobot could be put in more advantageous placements.

¹³³ Parties’ response to the CMA’s request for information dated 27 April 2023, table 11. The CMA notes that the search term ‘*Robot vacuum cleaner*’ is one of the top [X] search terms used on Amazon.co.uk in 2022, alongside [X]. The pattern in share of purchase results attributed to each search position, regarding these search terms, is broadly the same to that of ‘*Robot vacuum cleaner*’.

¹³⁴ Parties’ response to the CMA’s request for information dated 27 April 2023, table 11, 12, 13, 14 and 15.

¹³⁵ In other product categories Amazon places its own products in these positions under a ‘featured from our brands’ label.

- (b) Second, the Merged Entity will be able to place a strong RVC competitor lower down the remaining search rankings, which would mean that those RVCs are less likely to be purchased following a search for RVCs. While the Parties submitted that the search algorithm is currently neutral as to whether a product is owned by Amazon, the evidence provided to the CMA did not exclude Amazon's ability to influence search rankings (if it wished to do so).¹³⁶

164. In contrast to the Parties' submissions, the CMA does not consider that customer sophistication, in terms of customers being able to browse through search results and find the best product for their needs, would make attempts by Amazon to self-preference iRobot products over RVC competitors through manipulating search results ineffective. The data set out above, showing that material proportions of sales go to products in advertising positions and that higher proportions of sales go to products ranked higher in [X] results, implies that how search results are displayed has an impact on which RVC products are chosen by consumers. Moreover, the significant revenues Amazon earns from advertising (\$38 billion globally in 2022¹³⁷) are themselves indicative of the importance of advertising on Amazon for driving sales more broadly. The CMA also notes that Amazon markets the value of its advertising positions to sellers with statements such as '50% increase in units ordered'.¹³⁸
165. The Parties submitted that [40-50]% of sales of RVCs on Amazon.co.uk originate from search results within Amazon.co.uk, with the remaining [50-60]% likely to come through other channels including from third-party websites, discovery on the home page or deals page, or merchandising widgets.¹³⁹ The CMA believes that while Amazon would not be able to influence sales going to RVC competitors directly from third-party websites, discovery on other parts of Amazon.co.uk and merchandising widgets are directly controlled by Amazon, and so it would be feasible for Amazon to restrict the availability of these options for RVC competitors.
166. Finally, the CMA has also considered the possibility of the Merged Entity delisting RVC competitors' products from Amazon.co.uk entirely. The CMA received evidence indicating that some smart home devices that directly compete against Amazon's own branded products have been rejected by Amazon from featuring on

¹³⁶ The Parties' submissions that changing the search algorithm would result in a loss of consumer trust is relevant to the assessment of Amazon's incentive to foreclose, not its ability, and so is considered further below.

¹³⁷ <https://www.ben-evans.com/benedictevans/2023/3/6/ways-to-think-about-amazon-advertising>.

¹³⁸ <https://advertising.amazon.com/solutions/products/sponsored-products>.

¹³⁹ Parties' response to the CMA's request for information dated 27 April 2023, question 10. Amazon was not able to break down this [50-60]% figure by channel.

its marketplace.¹⁴⁰ A third party also highlighted the possibility that the Merged Entity would be able to choose not to stock a competitor product on Amazon.co.uk in the event that such competitor product was more popular than Amazon's own branded product.¹⁴¹ If Amazon were to delist RVC competitors' products, this would clearly have the effect of eliminating all sales through Amazon by those competitors and forcing them to rely exclusively on alternative routes to market.

167. Overall, therefore, the CMA considers that, collectively, there exist multiple mechanisms of foreclosure that could potentially allow the Merged Entity to foreclose RVC competitors in the UK.

Amazon's market power in the retail supply of RVCs in the UK

168. The CMA's starting point for its assessment of market power has been to understand the structure of the retail supply of RVCs in the UK. If downstream RVC competitors can easily switch away from Amazon.co.uk to other channels for selling RVCs, then they will be less likely to suffer harm than if there is limited choice of suitable substitutes to Amazon.co.uk.
169. In considering Amazon's market power in the retail supply of RVCs in the UK, the CMA has considered both those alternative routes to market that are currently available to RVC competitors in the UK, and those which could emerge in the foreseeable future. The CMA has also considered whether there are unique characteristics of Amazon that mean it is differentiated from alternative routes to market for RVCs in the UK.

Parties' submissions

170. The Parties submitted that Amazon has no ability to foreclose RVC competitors on Amazon.co.uk, on the basis that Amazon.co.uk is not an essential distribution channel for RVC competitors, and that any attempt to remove or otherwise undermine third-party products on Amazon.co.uk would be defeated by manufacturers moving elsewhere.¹⁴² The Parties mentioned John Lewis, AO, Argos and Currys, in particular, as effective UK retailers with a strong online presence.¹⁴³ Furthermore, the Parties submitted that iRobot's move to distributing [redacted] through its own website in the UK is an example of the model that RVC competitors could

¹⁴⁰ Third-party response to the CMA's RVC questionnaire, question 8. Amazon confirmed that it had [redacted] products, although submitted that this was because these [redacted], which is 'at odds with Amazon's efforts through the [redacted] to give consumers the choice over which [redacted] they use on their device'. Parties' response to the Issues Letter, paragraph 277.

¹⁴¹ Third-party response to the CMA's RVC questionnaire, question 20.

¹⁴² FMN, paragraphs 559.

¹⁴³ FMN, paragraphs 537 and 549.

adopt in the event of a foreclosure strategy.¹⁴⁴ The Parties submitted that RVC competitors such as Ecovacs and Eufy would be able to use other advertising channels, such as Google search, to drive traffic to their own websites.¹⁴⁵

171. The Parties also submitted that there is currently limited penetration of RVCs in the UK in comparison to other jurisdictions. Accordingly, if UK consumers were to begin to adopt RVCs in larger numbers and there was an increase in RVC sales, suppliers would expand across multiple retail channels, with retailers seeking to expand sales across both online and offline offerings.¹⁴⁶

CMA's assessment

172. The CMA has obtained a range of evidence in its investigation to understand the current structure of the retail supply of RVCs in the UK, and therefore Amazon's position in this market, namely:

- (a) shares of retail supply;
- (b) the Parties' internal documents; and
- (c) third-party evidence.

Shares of retail supply

173. The CMA notes that around [60-70]% of RVCs purchased online in the UK in 2021 were purchased from Amazon.co.uk. The CMA notes that this is a very substantial share for a single retail sales channel.
174. Using data from the Parties and from third parties, the CMA also constructed shares of supply for RVC sales across the different UK retail channels (ie both online and offline). These reflect sales (by revenue) made on: (i) Amazon.co.uk; (ii) RVC suppliers' own websites; (iii) UK retailers offering both online and offline sales channels; and (iv) eBay, the main alternative online marketplace (to Amazon.co.uk) in the UK.¹⁴⁷ The shares are presented in the table below.

¹⁴⁴ Parties' slide deck in response to the Issues Letter, slide 14.

¹⁴⁵ Parties' slide deck in response to the Issues Letter, slide 14.

¹⁴⁶ FMN, paragraph 568.

¹⁴⁷ CMA analysis of data supplied by third-party responses to the CMA's RVC questionnaire, question 5; Third-party responses to the CMA's UK retailer and marketplace questionnaire, question 4; Data supplied by Amazon in response to the CMA's section 109 notice dated 9 November 2022, table 5.2; and data supplied by iRobot in response to the CMA's section 109 notice dated 8 November 2022, table 1.

Table 2: CMA construction of the retail supply of RVCs in the UK in 2021

<i>Main UK retail channels for RVC competitors</i>	<i>Proportion of total sales of RVCs in the UK</i>
Own website offering of RVCs	[10-20]%
Amazon	[70-80]%
eBay	[0-5]%
Main UK retailers (online)	[0-5]%
Main UK retailers (offline)	[0-5]%
Total	100%

Source: CMA analysis of Parties data and third party data.

175. The table above shows that around three-quarters of all RVCs sold in the UK are sold via Amazon.co.uk, while a material proportion of RVC sales are made through RVC competitors' own websites. The CMA notes these estimates may overstate Amazon's position in the retail supply of RVCs in the UK, given that the CMA has not exhaustively collected sales revenue data from all RVC competitors, UK retailers and online marketplaces, but considers any overstatement is likely to be limited as the CMA has data from the key market participants.
176. The CMA considers that such shares are broadly consistent with the third-party and documentary evidence, considered in further detail below (at paragraphs 180 to 187), that the vast majority of sales of RVCs in the UK occur through online channels and of those, principally on Amazon.co.uk, which is indicative of Amazon's market power in the retail supply of RVCs.
177. CMA analysis of third-party data indicates that RVC competitors in the UK, including competitors with substantial shares of supply, rely heavily on Amazon for the sale of RVCs, with some competitors selling as much as [80-90]% of their total UK sales of RVCs via Amazon.co.uk.¹⁴⁸ That being said, these data also show that RVC competitors also make a non-negligible proportion [10-15]% of their sales through their own websites, which highlights that these are also material sales channels (even if markedly less important than Amazon.co.uk).¹⁴⁹
178. In terms of advertising spend by RVC competitors, the CMA found that some RVC competitors predominantly focus their advertising activity on Amazon.co.uk. The evidence indicates that RVC competitors with higher shares of supply in the UK tend

¹⁴⁸ CMA analysis of data supplied by third-party responses to the CMA's RVC questionnaire, question 5.

¹⁴⁹ CMA analysis of data supplied by third party responses to the CMA's RVC questionnaire, question 5.

to spend a higher proportion of their advertising budgets on Amazon.co.uk and to make a higher proportion of their sales through Amazon.co.uk.¹⁵⁰

179. The CMA considers the data summarised above in relation to competitors' sales and advertising spend indicates that Amazon is an important retail sales channel for RVC competitors in the UK.

Internal documents

180. The CMA's assessment of iRobot's internal documents indicates that the retail supply of RVCs in the UK takes place, at least at present, primarily through online channels, with Amazon being the most significant channel. The documents also suggest that one reason for this could be the overall low RVC category penetration in the UK relative to other comparable countries (ie which makes UK retailers that market household goods less inclined to stock such products).¹⁵¹

Third-party evidence

181. The CMA has also considered third-party evidence on the extent to which there are material constraints on Amazon's activities in the retail supply of RVCs in the UK. Third-party evidence indicates that the main UK RVC competitors and UK retailers perceive Argos and Curry's as moderate to strong alternatives to Amazon.¹⁵²
182. The CMA has also considered the extent to which these retailers offer a comparable range to Amazon. The available evidence indicates that retailers choose to only stock a limited range of RVCs. The CMA believes that this means that RVC competitors would have limited ability to respond to foreclosure strategies pursued by the Merged Entity by expanding their sales through these retailers.
183. In particular, retailers other than Amazon told the CMA that they stock only two brands each (three in the case of one retailer) and have a more limited range of models available.¹⁵³ This strongly contrasts with Amazon's offering of RVC brands, with over 20 brands being listed as available on Amazon.co.uk.¹⁵⁴
184. The CMA also considered the extent to which these retailers have the ability and incentive to expand their range of RVCs in the future. In this regard:

¹⁵⁰ CMA analysis of data supplied by third party responses to the CMA's RVC questionnaire, question 6.

¹⁵¹ iRobot Internal Document, UKCMA00018088, slides 16, 17, 19 and 20.

¹⁵² Third-party responses to the CMA's UK retailer questionnaire, question 4; Third-party responses to the CMA's RVC questionnaire, question 17.

¹⁵³ Third-party responses to the CMA's UK retailer questionnaire, question 4.

¹⁵⁴ See: [Amazon.co.uk : robot vacuum cleaner](https://www.amazon.co.uk/robot-vacuum-cleaner) referred at 9am on 16 June 2023.

- (a) Some UK retailers focused on consumer electronics indicated an intention to expand their range of RVCs within the next two to three years.¹⁵⁵
- (b) Other large UK retailers indicated that they do not foresee expanding their range of RVCs.¹⁵⁶

185. The CMA notes that the main reasons provided by large UK retailers for not wanting to expand their range are consistent with iRobot's assessment of the current UK retail landscape for RVC sales, as set out in its internal documents¹⁵⁷ – that the price point at which such products are offered does not match customer expectations of the quality of the current technology in its ability to clean, relative to other floorcare products.¹⁵⁸

186. The CMA has also considered the extent to which the main RVC competitors in the UK perceive Amazon to be important in their efforts to compete in the supply of RVCs in the UK. The evidence received by the CMA consistently indicates that Amazon is a very important sales channel. For instance, RVC competitors that together account for a substantial share of supply of RVCs in the UK confirmed that Amazon is an important route to market for them.¹⁵⁹ These competitors emphasised that Amazon's unique features for sellers, such as its large customer base, powerful marketing tools and efficient fulfilment services, are key to allowing them to compete in the UK.¹⁶⁰

187. Therefore, the CMA considers that for some RVC competitors, including those with a material share of supply in the UK, Amazon plays an important role in their ability to compete effectively given its unique capability in providing access to a large customer base and extensive marketing capabilities.

Conclusion on the Merged Entity's ability to foreclose

188. For the reasons set out above, the CMA considers that the Merged Entity would have the ability to foreclose RVC competitors through Amazon.co.uk, through a range of different possible self-preferencing mechanisms.

189. In particular, the CMA considers that Amazon has market power in the retail supply of RVCs in the UK. Amazon.co.uk accounts for a significant proportion of sales of

¹⁵⁵ Third-party responses to the CMA's UK retailer questionnaire, question 4.

¹⁵⁶ Third-party responses to the CMA's UK retailer questionnaire, question 4.

¹⁵⁷ iRobot Internal Document, UKCMA00018088.

¹⁵⁸ Third-party responses to the CMA's UK retailer questionnaire, question 4.

¹⁵⁹ Third-party responses to the CMA's RVC questionnaire, question 16.

¹⁶⁰ Third-party responses to the CMA's RVC questionnaire, question 16.

RVCs in the UK and there is limited scope for RVC competitors to switch to alternative sales channels, such as other UK retailers. In any case, Amazon is a unique and important retail sales channel to RVC competitors in the UK, differentiated from other UK retail channels. The CMA considers that RVC competitors with a material share of supply in the UK are highly reliant on Amazon.co.uk as both a retail sales channel, a means of advertising their products and for access to a significant number of UK customers.

Incentive

CMA's approach to incentive analysis

190. In assessing the Merged Entity's incentive to foreclose, the CMA has considered the magnitude and likelihood of the costs and benefits of pursuing self-preferencing strategies to limit competition from RVC competitors. The CMA has focused on undertaking one common assessment of incentives across the different potential mechanisms of self-preferencing identified.¹⁶¹
191. The assessment of incentives typically involves a combination of quantitative and qualitative evidence, though the balance will vary between cases. The CMA may undertake more extensive quantitative analysis in simple markets with high quality data but focus on a qualitative assessment in complex and dynamic markets, where firms' current positions and margins may not be a good guide to the future, and strategic considerations may play a greater role. In any event, its focus will be on the relative magnitude of the overall cost and benefit of foreclosure, not on predicting the exact size of each element.¹⁶²
192. The CMA considers that in this Merger, where the markets are complex and the firms have wide ranging activities in the UK, a more qualitative approach to considering the wider strategic benefits and costs of foreclosure strategies is most appropriate.
193. Nevertheless, the CMA has collected various data to support its assessment, including the relative margins of sales of different RVC brands on Amazon, how the margins that Amazon makes on iRobot RVCs might change post-Merger and the predicted Lifetime Value (**LTV**) of each sale of iRobot RVCs over time, which may

¹⁶¹ [CMA129](#), paragraph 7.17.

¹⁶² [CMA129](#), paragraph 7.18.

factor in any wider benefits from selling iRobot RVC units beyond the initial short run margin.

194. The CMA's assessment of incentives is structured as follows:

- (a) First, the CMA has assessed the direct financial incentives of the Merged Entity to engage in foreclosure strategies. In particular, the CMA has assessed the Parties' data/analysis on margins on the iRobot RVC sales the Merged Entity is likely to gain, balanced against the margins it is likely to lose on sales of third-party RVCs as a result of pursuing any foreclosure strategies. The CMA has also considered evidence from the Parties in relation to both sales volumes and advertising spend that could be affected by any foreclosure strategy.
- (b) Second, the CMA has assessed the broader strategic incentives of the Merged Entity to engage in foreclosure strategies. In particular:
 - (i) the CMA has considered evidence from Amazon's internal documents and LTV analysis submitted by the Parties, to understand the broader strategic gains that may accrue to Amazon as part of any foreclosure strategy to harm the competitiveness of RVC competitors; and
 - (ii) the CMA has considered the broader strategic costs of self-preferencing strategies that the Merged Entity may incur when pursuing such strategies.

Assessment of direct financial incentives

195. The CMA considers that foreclosure is more likely to be profitable (at least in the short run) if the margins gained on sales are relatively large compared to the margins lost as part of any foreclosure strategy.¹⁶³ Accordingly, the CMA has assessed the relative profit margins on RVC sales that would be gained as compared to RVC sales that would be lost as part of any self-preferencing strategy.

196. As noted above, a more qualitative approach may be more suitable in complex markets particularly where static analyses are not sufficiently informative and broader strategic issues may play a greater role.¹⁶⁴ Accordingly, the CMA has considered broader strategic benefits and costs to Amazon from pursuing any foreclosure strategies and has not placed considerable weight on the margins

¹⁶³ [CMA129](#), paragraph 7.19 (d).

¹⁶⁴ [CMA129](#), paragraph 7.18.

analysis. The CMA also notes that there are, in any case, certain limitations (considered further below) on the conclusions that can be drawn from margins data alone, without further analysis on volume effects or other effects.

Parties' submissions

197. The Parties submitted data to the CMA on the average margin earned by Amazon on:¹⁶⁵
- (a) iRobot RVCs that will be sold by Amazon as a first party, own-brand product post-Merger, being [20-30]%; and
 - (b) Non-iRobot RVCs that Amazon currently sells itself via Amazon.co.uk, being [10-20]%.
198. Additionally, the Parties submitted that for RVCs that are sold by third-party sellers on Amazon.co.uk, Amazon earns a 15% referral fee on the value of the sale. Given that the margin calculation is based on the value of the sale, the CMA considers that the referral fee percentage is comparable to margins in economic terms.
199. The Parties submitted that Amazon's business model is based on maintaining a broad selection of products within a given category and that stocking decisions are not based on short-term profitability. The Parties also provided examples of the variation in margins for different RVCs stocked and sold by Amazon, with Amazon making negative margins in some cases.¹⁶⁶ The Parties explained that this approach enables maximising the 'cross product spill overs', with the view that increasing selection in one area will result in an uplift in sales elsewhere on Amazon.co.uk.¹⁶⁷
200. The Parties submitted that there would be limited gains to Amazon from any foreclosure strategy given that RVCs represent a very small proportion of all sales made on Amazon.co.uk. The Parties estimated that the gains would be no larger than £[~~8~~]. As such, Amazon would not risk jeopardising customer trust, its relationships with suppliers and its reputation, all of which are key to its overall success.^{168,169}

¹⁶⁵ Parties' response to the CMA's request for information dated 27 April 2023, question 6 (b); and Parties' response to the CMA's request for information dated 10 March 2023, question 26, Table 3.

¹⁶⁶ Parties' response to the Issues Letter, 30 May 2023, paragraph 266.

¹⁶⁷ Parties' response to the CMA's request for information dated 27 April 2023, paragraph 5.7.

¹⁶⁸ Parties' response to the Issues Letter, 30 May 2023, paragraphs 307-312.

¹⁶⁹ The broader strategic costs to Amazon from any foreclosure are discussed in further detail from paragraphs 220 to 230 of this Decision.

CMA's assessment

201. The CMA considers that the evidence summarised above in relation to margins indicates that Amazon would gain more on any unit of iRobot RVC sales recaptured than on any unit of non-iRobot RVC sales that would be lost as part of any foreclosure strategy. This suggests that there may be some (albeit limited) incentive to foreclose in the short run based on a purely direct analysis of relative margins.
202. The CMA also notes, however, this evidence does not fully reflect all the costs of such a strategy. Specifically:
- (a) It does not take account of volume effects, including sales lost to other RVC competitors within Amazon or to non-Amazon channels. In particular:
 - (i) The CMA notes that iRobot currently holds a relatively low share ([10-20]% by value) of total RVC sales on Amazon.co.uk,¹⁷⁰ suggesting that even if iRobot is positioned more favourably in search results or elsewhere on the site compared to some of its rivals, many consumers might still end up buying a non-iRobot RVC.
 - (ii) Some customers may divert to non-Amazon channels if they are unable to find an exact RVC product on Amazon.co.uk (although this is unlikely to hold for customers that are not looking for a particular brand or product and are more reliant on Amazon for product discovery).
 - (b) It does not consider other effects such as a loss of advertising spend on Amazon.co.uk by third-party sellers (with there being material advertising spend by RVC competitors on Amazon.co.uk).
203. More broadly, the CMA considers that the direct financial benefits in the short run are likely to be small, due to the overall small size of the UK RVC market and the relatively small scale of RVC sales made on Amazon.co.uk. On this basis, the CMA considers that the Merged Entity's incentive to foreclose in the short term is uncertain and, in any event, is likely to be limited.

Conclusion on direct financial incentives

204. The CMA considers that the analysis of margins indicates that the Merged Entity would have some (limited) incentive to foreclose RVC competitors in the short run

¹⁷⁰ Parties' response to the Issues Letter, 30 May 2023, paragraph 309.

(although this analysis can only be given limited weight – for the reasons set out above).

205. The CMA also notes, however, that any potential benefits arising out of relative differences in margins are likely to be small, and that the limitations in the data available to the CMA mean that any short-run incentives to foreclose are likely to be weaker than those suggested by this analysis.
206. More broadly, the CMA acknowledges the Parties' submissions regarding how a short-term assessment of margins does not accurately reflect the commercial realities of Amazon and its wider strategic priorities. Accordingly, the CMA's incentives assessment relies more heavily on the broader strategic benefits and costs of foreclosure to Amazon following the Merger, set out in further detail below.

Broader strategic benefits

207. The CMA has assessed the extent to which there are wider strategic benefits associated with the Merged Entity foreclosing RVC competitors. The CMA notes that these strategic benefits (for the purposes of the CMA's assessment of competition in the UK) are linked to the significance of the UK RVC market (both at present and as it evolves over time). While the UK market for the supply of RVCs is relatively small (and does not appear to be otherwise strategically important) today, the CMA has, in order to conduct an appropriately forward-looking assessment, also considered how that market might evolve over time.
208. As part of this analysis, the CMA has undertaken an extensive document review exercise, based on the documents submitted by Amazon in relation to its wider consumer robotics business, Alexa and the smart home to understand the extent to which there are strategic benefits to Amazon from foreclosing RVC competitors. The CMA has also considered the extent to which iRobot may be able to form part of a subscription service that Amazon offers to households looking to provide more security and surveillance of their home.

Parties' submissions

209. The Parties submitted that RVCs are a marginal product in the UK, where RVCs are not a key device in the home and fewer than [0-5]% of UK households purchased an RVC in 2021.¹⁷¹

¹⁷¹ Parties' slide deck in response to the Issues Letter, slide 31.

210. The Parties also submitted that iRobot mapping data is not useful in a broader smart home context, where the low penetration of RVCs means that it could only ever map a small proportion of households.¹⁷² The Parties also submitted that the wider strategic benefits that may accrue through Amazon obtaining mapping data from iRobot was [redacted] in the context of Amazon's valuation.¹⁷³
211. The Parties further submitted that, while sales of a [redacted] will increase LTV of an iRobot sale, this would also be accompanied by an [redacted], which would offset some of the benefits. Accordingly, the Parties submitted that it would not be appropriate to consider the additional value from offering a [redacted] without considering the potential impact of a [redacted] of the unit.¹⁷⁴

CMA's assessment

212. In relation to Amazon's wider smart home strategy and interaction with Alexa as the underlying technology, the CMA considers that there is some evidence to suggest that having an increased number of iRobot RVCs in the home would be strategically beneficial to Amazon. In particular:
- (a) Some Amazon internal documents note that iRobot RVCs would be able to integrate with Amazon's existing smart home assets post-Merger to provide a higher degree of automation of tasks in the home. For example, the [redacted] generated by iRobot could allow for [redacted].¹⁷⁵ There are also further documents to suggest that Amazon may place value on the [redacted] that iRobot RVCs collect around the home. For example, in recording notes from a meeting between representatives of the Parties discussing the Merger, an internal document highlights that the data may be valuable to Amazon for [redacted].¹⁷⁶
 - (b) Some of iRobot's and Amazon's internal documents show that there may be some wider strategic benefits of integrating iRobot into a smart home platform. Such documents are positioned as iRobot's RVCs adding value to smart home platform providers by providing a dynamic spatial understanding of the home, so that smart home platform players can build more personalised experiences for the consumer.¹⁷⁷ iRobot's existing installed base of RVCs in households

¹⁷² Parties' slide deck in response to the Issues Letter, slide 31. See the section of this Decision on vertical effects in relation to the global supply of smart home platforms.

¹⁷³ Parties' slide deck in response to the Issues Letter, slide 31.

¹⁷⁴ Parties' response to the CMA's request for information dated 10 March 2023, question 27 (b).

¹⁷⁵ Amazon Internal Document, AMZN-IRBT-CMA-0000002612, page 1, 11, 3 and 9. Amazon Internal Document, AMZN-IRBT-CMA-0000027088. Amazon Internal Document, Amazon Annex – CMA s. 109 2 – Q.5.3, pages 5 and 7, Amazon Internal Document, 4c-10 and Amazon Internal Document, AMZN-IRBT-CMA-0000029891, page 3.

¹⁷⁶ See for example, Amazon Internal Document, 4c-9.

¹⁷⁷ iRobot Internal Document, Annex 83 to the FMN and iRobot Internal Document, Annex 82 to the FMN.

(which is mostly in the US) could help accelerate machine learning in this regard.

213. The CMA has also considered the potential broader strategic benefits of Amazon integrating iRobot's assets into its vision for subscription-based services. In particular:
- (a) Some internal documents suggest that the rationale for the Merger for Amazon includes wider benefits associated with Amazon's vision to integrate iRobot's RVCs into [REDACTED].¹⁷⁸
 - (b) The CMA has considered an LTV analysis as presented by the Parties which sets out the LTV for the sale of an iRobot product by way of launching a [REDACTED] associated with that product. In particular, the Parties submitted that the analysis is based on the assumptions used by Amazon when [REDACTED].¹⁷⁹ The key results from this analysis indicate that the LTV of each sale of an iRobot product is likely to [REDACTED] over time.¹⁸⁰
214. Finally, in relation to Amazon's wider consumer robotics strategy, the CMA considers that there is some evidence to suggest that Amazon's acquisition of an RVC supplier may help it cross-sell other consumer robotics products. The CMA has seen internal documentary evidence which sets out [REDACTED].¹⁸¹

Conclusion on broader strategic benefits

215. The CMA considers that the benefits arising from the UK market as described above are likely to be limited given the small size of the UK market and its modest overall growth trajectory (as described in more detail above).
216. In respect of the value of iRobot's mapping data to smart home platform providers, the CMA found that iRobot's mapping assets are not a materially important input to the competitive efforts of smart home platform providers (for the reasons set out above in relation to the assessment of vertical effects in relation to the global supply of smart home platforms). This is particularly the case within the context of the UK market (as considered further below). On this basis, the CMA believes that the

¹⁷⁸ Amazon Internal Document, 4c-2, page 2 and Amazon Internal Document, Amazon Annex - CMA s. 109 2 - Q.4, page 6.

¹⁷⁹ Parties' response to the CMA's request for information dated 10 March 2023, question 27 (b), Table 4.

¹⁸⁰ Parties' response to the CMA's request for information dated 10 March 2023.

¹⁸¹ Amazon Internal Document, Amazon Annex - CMA DMN - s. 10.019, page 25, Amazon Internal Document, Amazon Annex - CMA DMN - s. 10.013, page 3 and Amazon Internal Document, Amazon Annex - CMA DMN - s. 10.017, page 1 and 2.

broader benefits to Amazon of prioritising the sales of iRobot RVCs post-Merger, for these purposes, are likely to be low.

217. The nature of the UK market provides important context for the consideration of these benefits. In this regard, the evidence available to the CMA considers that:
- (a) The value of RVC mapping data for smart home platform services will be dependent on how many RVCs are adopted in the UK and are part of a wider smart home offering.
 - (b) A UK customer will likely adopt an Amazon RVC subscription-based service if they are (i) likely to purchase an RVC in the first instance and (ii) likely to buy an Amazon RVC when they choose to purchase one.
 - (c) A UK customer is likely to adopt a further consumer robotic product from Amazon if they (i) see enough value to purchase an Amazon RVC in the first instance and (ii) see enough value and benefit in Amazon's RVC product to then purchase another closely related consumer robotics product from Amazon.
218. As set out previously in its assessment of the status and growth trajectory of the UK RVC market, the CMA considers that the UK RVC market is currently characterised by low household penetration and there is no evidence to suggest that this will change significantly in the foreseeable future.
219. The CMA therefore considers that, in the UK context, such broader benefits are likely to be limited.

Broader strategic costs

220. As part of its incentives analysis, the CMA has further considered the potential costs to the Merged Entity that may arise as part of pursuing any foreclosure strategies towards RVC competitors in the UK.

Parties' submissions

221. The Parties submitted that there would be numerous strategic costs to Amazon from pursuing self-preferencing strategies that disadvantage RVC competitors in the UK. As such, the Parties submitted that the Merged Entity would have no incentive to foreclose.
222. First, the Parties submitted that a core part of Amazon's model is to ensure a range of products in each category on its platform, to maximise cross-selling into other

areas of its platform. The Parties submitted that Amazon having a range of products on its platform means that consumers are more likely to select its platform to purchase that product and other future products not directly related to their initial purchase. Therefore, by self-preferencing or limiting the range of RVC products, they would be forgoing sales on other products on the platform.¹⁸²

223. Second, the Parties submitted that such self-preferencing behaviour would damage Amazon's overall reputation, both with third-party sellers and customers, and therefore lead to a future loss in sales through overall reduced traffic on the Amazon platform.¹⁸³
224. Third, the Parties submitted that such self-preferencing behaviour may entail risks associated with redesigning the algorithm, and therefore loss of customer and seller trust, to accommodate self-preferencing of the Merged Entity's own RVCs.¹⁸⁴

CMA's assessment and conclusion on broader strategic costs

225. The CMA considers that evidence provided by Amazon suggests that there are wider strategic costs for Amazon, as a result of any potential foreclosure strategies that Amazon may pursue (but also that it is not straightforward, within the context of a Phase 1 merger investigation, to fully assess the magnitude of these costs and the impact on Amazon's broader incentives).
226. In particular, the CMA considers that Amazon's business model of maximising selection of products in different categories when customers search products may imply that making it more difficult for consumers to find the right RVC products may have some negative effects on users' future use of Amazon across wider product categories. The CMA notes that the Amazon Buyer Survey submitted by the Parties¹⁸⁵ shows that, in the UK, around [70-80]% of customers say that they would switch to another retailer if the specific product they were looking for was not available on Amazon, with half of those respondents saying they would then be more likely to shop at that alternative in the future.
227. The CMA considers that there are some limitations to this evidence. For example, such evidence is not directly specific to the behaviour of RVC customers. Amazon's position in the distribution of RVCs is stronger compared to home appliances more generally and such evidence may not directly apply to self-preferencing

¹⁸² FMN, paragraph 595.

¹⁸³ FMN, paragraphs 593 and 594.

¹⁸⁴ FMN, paragraph 624.

¹⁸⁵ Amazon Internal Document, Annex 6 to the FMN.

mechanisms weaker than total delisting. However, this evidence suggests that making it significantly more difficult for consumers to buy rival RVCs could result in some consumers using alternative retailers for RVCs and then also for other products that are not RVCs.

228. The CMA also considers that there may be some risk to Amazon that, by engaging in foreclosure strategies, it may damage its own reputation amongst businesses that sell products on Amazon and compete or might in the future compete with products owned by Amazon, such that they focus their efforts on boosting other distribution channels and therefore sell less through Amazon. In particular, the CMA notes that such behaviour by Amazon may encourage RVC competitors that sell a wider range of products on Amazon beyond just RVCs, such as Eufy (part of the wider Anker Group), to increase their investment in distribution channels outside of Amazon for this broader set of products.
229. The CMA recognises that, overall, these costs are likely to be more material when considering a foreclosure strategy involving a total delisting of RVC products from Amazon.co.uk. However, the CMA considers it likely that any foreclosure strategies that were to materially influence a consumer's choice of products would also likely cause the costs listed above to materialise to some extent.
230. Finally, the CMA recognises the Parties' submissions that, for Amazon to engage in some mechanisms of foreclosure, such as influencing [✂] search rankings, this would require changes to Amazon's current business model and also its search algorithms. Whilst the CMA cannot exclude that Amazon could, in theory, make such changes, the CMA considers that Amazon is unlikely to undertake these changes to a significant extent for one single RVC product category, particularly due to the overall low broader strategic benefits that result from a low household penetration of RVCs specifically in the UK.

Conclusion on the Merged Entity's incentive to foreclose

231. The CMA considers that the Merged Entity does not have the incentive to self-preference its own branded RVCs. The CMA has considered a wide range of evidence to understand whether the benefits and costs of such a strategy are likely to give the Merged Entity an incentive to foreclose.
232. In particular, the CMA has found that the analysis of direct financial incentives and broader strategic gains are linked to the significance of the RVC market in the UK (both at present and how it evolves over time). The CMA considers that the UK RVC market is currently characterised by low household penetration and there is no

evidence to suggest that this will change significantly in the foreseeable future. As a result, the CMA considers that both the direct financial incentives and broader strategic gains likely to be accrued to the Merged Entity, as part of any foreclosure strategy, are uncertain, and in any event, are likely to be limited.

233. On the other hand, the broader strategic costs are not closely tied to the current or future size of the RVC market in the UK. The CMA considers it to be difficult to assess the exact magnitude of such broader costs. However, given the current small size and limited strategic importance of the UK RVC market as compared to Amazon's wider business, even if strategic costs only occur to a limited extent, the CMA considers these will very likely outweigh any broader strategic benefits from foreclosure.
234. Overall, the CMA considers therefore that the Merged Entity will not have the incentive to foreclose.

Effect

235. Given the CMA has found that the Merged Entity will not have the incentive to foreclose, the CMA has not considered the effect of such a foreclosure strategy.

Conclusion

236. For the reasons set out above, the CMA believes that whilst the Merged Entity will have the ability to foreclose RVC competitors through Amazon.co.uk, it does not have the incentive to do so. Accordingly, the CMA found that the Merger does not raise competition concerns as a result of vertical effects in relation to the supply of RVCs in the UK, through the foreclosure of RVC competitors via Amazon.co.uk.

DECISION

237. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

238. The Merger will therefore not be referred under section 33(1) of the Act.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
16 June 2023

ⁱ The paragraph number referenced in footnote 46 has been corrected to '37(b)' to correct a typographical error which originally stated '37(a)'.