

Amazon's Deliveroo investment raises competition concerns

Amazon reported UK net sales from its online store in 2018 of almost £11 billion. Amazon's UK business, in addition to its wider Amazon.co.uk marketplace, includes a wide range of grocery offerings through Amazon Prime and Prime Now, Amazon Fresh, and Whole Foods Market.

Deliveroo is a UK-based online food delivery company that has grown rapidly since being founded in 2013. It now makes global sales of close to £500 million and operates in over 100 towns and cities across the UK, as well as expanding from being an online delivery platform for restaurants to also offering online convenience store delivery from suppliers such as Co-op Food.

Earlier this year, Amazon announced a substantial investment in Deliveroo, which would give it a minority shareholding along with certain other rights, allowing it to participate in the management of the company. While Amazon would not take full control of Deliveroo's business, the CMA has assessed how the deal could enable it to influence Deliveroo's business strategy. The CMA has also considered the possible effects this influence could have on competition in markets where the 2 companies compete at present – or could compete in the future.

The CMA's initial investigation has found that the investment, in its current form, could harm competition in 2 ways.

Firstly, it is concerned that the deal could damage competition in online restaurant food delivery by discouraging Amazon from re-entering the market in the UK. Currently, there are only a small number of companies that act as the middle-man between restaurants and customers, and Amazon offered this service in competition with Deliveroo until 2018, when it exited the market.

Although Amazon closed its Amazon Restaurants business, the CMA believes evidence uncovered in Amazon's internal business documents shows a strong, continued interest in this sector and a material likelihood that Amazon would look to re-enter. Given the limited number of existing suppliers, the CMA found that the potential re-entry by a supplier such as Amazon would significantly increase competition in online restaurant food delivery in the UK.

Secondly, the CMA is concerned that the deal could also damage competition in the emerging market for online convenience grocery delivery, where the 2 companies have already established market-leading positions.

Again, there are only a small number of suppliers offering the "ultra-fast" delivery of groceries in the UK. Although several supermarkets and online food platforms are experimenting with convenience grocery delivery, Amazon and Deliveroo – which both have UK-wide delivery networks to support their operations – are 2 of the strongest players in this market at present. While

there are some differences in the services that Amazon and Deliveroo offer to customers, the CMA found that competition between them could increase in future as the market develops.

Andrea Gomes da Silva, CMA Executive Director, said:

Millions of people in the UK use online food platforms for takeaways, and more than ever are making use of similar services for the same-day delivery of groceries.

There are relatively few players in these markets, so we're concerned that Amazon having this kind of influence over Deliveroo could dampen the emerging competition between the 2 businesses.

If the deal were to proceed in its current form, there's a real risk that it could leave customers, restaurants and grocers facing higher prices and lower quality services as these markets develop. This is because the significant competition which could otherwise exist between Amazon and Deliveroo would be reduced.

The companies now have 5 working days to offer legally-binding proposals to the CMA to address the competition concerns identified. The CMA would then have 5 working days to consider whether to accept the offer instead of referring the case to an in-depth investigation.

All information relating to this case can be found on the [Amazon / Deliveroo inquiry page](#).