

UK investigation of Amazon investment shows tougher approach

July 5 2019, by Danica Kirka



In this file photo dated Tuesday, July 11, 2017, a Deliveroo logo on a bicycle in London. The U.K. competition watchdog has launched an investigation into Amazon's purchase of a significant stake in food delivery service Deliveroo on Friday July 5, 2019, as the regulator is taking a more activist role in seeking to protect consumers in the evolving marketplace. (AP Photo/Frank Augstein, FILE)

The U.K. competition watchdog on Friday launched an investigation into Amazon's purchase of a large stake in food delivery service Deliveroo, a move that suggests authorities are taking a harder line on the expansion of Big Tech.

While the deal had not been billed as a takeover by Amazon, the Competition and Markets Authority said it has "reasonable grounds for suspecting" that the agreement could "result in Amazon and Deliveroo ceasing to be distinct."

The investigation will put on hold any plans to merge Amazon operations with Deliveroo, whose delivery bikes and scooters are ubiquitous in many major cities. Besides Britain, it also operates in several countries in Europe and Asia, including Germany, France, Italy and Australia.

The investigation comes as the regulator is taking a more activist role in seeking to protect consumers in an evolving marketplace.

"This type of deal is right in the CMA's area of interest at the moment - large tech incumbents like Amazon investing in smaller rivals - so called 'killer acquisitions,'" said Nicole Kar, head of the London Competition Practice at law firm Linklaters.

"You might not think there is much competition between Deliveroo and Amazon right at present given Deliveroo is very focused on food delivery but that's too simplistic. Amazon wants to get any product to the customer fast and to 'own' the customer for everything they possibly want to buy in their life and every way they want it delivered."

American authorities are likewise taking steps to reign in the growing power of large tech firms. The U.S. Justice Department and the Federal Trade Commission are moving to investigate Google, Facebook, Amazon and Apple over their aggressive business practices. In the U.S.

Congress, the House Judiciary Committee has announced an antitrust probe, promising "a top-to-bottom review of the market power held by giant tech platforms."

In the U.K., observers have noted a change of direction at the CMA since Chair Andrew Tyrie took over last year. From the moment he started Tyrie has promised to play a crucial role in Britain's global competitiveness.

But even so, the decisions this week marked a change of tone, if not direction.

"The CMA's move comes as a surprise and suggests that the new regime is much more interventionist than in the past," said Clive Black, the head of research at financial firm Shore Capital. "As well as the focus upon an investment as opposed to a total take-over, this move by the regulator may also spell a change of view around mega-tech and their expansion in the U.K."

British authorities on Wednesday launched a "digital markets strategy," to respond to online platforms and to make the U.K. competition rules fit for the modern age.

In the case of Amazon's deal, British authorities will be looking into whether Deliveroo's partnerships with grocers like the Co-Op might signal an intention to build food delivery services beyond the core Deliveroo model at the moment, which is the delivery of food-to-go from restaurants and cafes. Kar added that the watchdog would be looking at whether the investment Amazon made into Deliveroo would give the tech titan the right to determine strategy and investment.

The exact amount of money Amazon spent on the stake is unclear, but Deliveroo's last fundraising round brought in 450 million pounds (\$564

million) from multiple investors, with Amazon becoming the largest.

The CMA could block any deal, as it did recently by halting the attempted supermarket merger of Sainsbury's and Walmart's Asda unit. The watchdog concluded that the creation of the country's biggest supermarket would push up prices and reduce quality for shoppers.

Both Amazon and Deliveroo pledged Friday to work closely with regulators.

"There are a number of major companies within the restaurant food delivery sector and this investment will enable Deliveroo to expand, innovate and, we believe, will enhance competition," Deliveroo said in a statement.

Amazon says the expansion will benefit consumers by increasing choice and by "creating new jobs as more restaurants gain access to the service."

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