

## U.K. Competition Watchdog Probes Amazon's \$575 Million Bet on Deliveroo

Amazon's investment into food delivery startup Deliveroo is in jeopardy after a U.K. regulator ordered the duo to put their deal on hold while it decides whether to investigate further.

The Competition and Markets Authority (CMA) issued an initial enforcement order on Friday over fears that the two companies have "ceased to be distinct" following a [\\$575 million funding round](#) into Deliveroo in May, which was led by Amazon.

The probe from the CMA is somewhat unusual given Amazon is only a minority shareholder in Deliveroo, which was last valued at \$2 billion in 2017 when it raised a \$482 million round.

However, the CMA said it has "reasonable grounds" to believe the two companies are no longer distinct. It declined to specify what these "reasonable grounds" are but they're likely based on public information about the deal, as well as information it has received privately from Amazon and Deliveroo.

The CMA said it is also concerned that the two companies could merge at some point in the future. Closer cooperation between the two companies could see Deliveroo customers placing orders via Amazon Alexa or a takeover would give the Seattle-based giant a second try at the food delivery business after it scrapped its rival service Amazon Restaurants in June.

Founded in 2013 by former Morgan Stanley investment banker Will Shu and software engineer Greg Orlowski, Deliveroo has scaled its business at a rapid pace; the company now operates in 500 towns and cities in 14 countries around the world. It relies on an army of 60,000 riders to transport food from 80,000 restaurants to people's homes and offices.

It is a household name in the U.K. and several other countries around the world but it needs investment, and the deep pockets of companies like Amazon, in order to keep on growing and compete with rivals like Uber Eats.

An Amazon spokesperson said: "We believe this minority investment will enable Deliveroo to expand its services, benefiting consumers through increased choice and creating new jobs as more restaurants gain access to the service."

However, European regulators are clamping down on U.S. tech giants over allegedly monopolistic and uncompetitive tactics. For example, Google was fine recently by the European Commission for promoting its own Google Shopping service in its search results ahead of other retailers.

When Amazon announced that it planned to invest in Deliveroo, shares in takeaway firms across Europe—such as JustEat, Takeaway.com, and Delivery Hero—tumbled.

A spokeswoman for the CMA told Forbes that the initial enforcement order (IEO) has been issued to effectively “pause” the deal between Amazon and Deliveroo while it decides whether it needs to complete what is known as a “Phase 1” investigation, which would last for 40 days.

The fact that the IEO has been issued is a “strong indication” that a Phase 1 investigation will be carried out, she said. She was unable to say when the CMA will decide whether a Phase 1 investigation is necessary.

A spokesperson for Deliveroo said: “Deliveroo and Amazon have been working closely with regulators to obtain regulatory approvals. 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. This investment will help create jobs, help restaurants to grow their businesses and will improve choice for consumers.”

If Deliveroo failed to raise the money from Amazon, and it went out of business as a result, then it could be argued that it would be a worse outcome for consumers.

Jonathan Branton, head of EU competition at DWF, said: "Investigations into acquisitions of minority stakes are certainly less common than they are for standard acquisitions, but that is not to say they do not happen."

“At the moment this is merely the opening of an investigation, the outcome of which we do not know yet. Whilst it may not be immediately obvious that the parties would be considered close competitors, the CMA’s decision to open an investigations means it has reason to think there is a potential adverse effect on competition in one market or another that merits further investigation.”

Ultimately, if the deal was blocked, then Deliveroo would have to go back to the drawing board. Erin Platts, head of Silicon Valley Bank in EMEA, told Forbes that Deliveroo wouldn't have too much difficulty finding other investors if the CMA prevented it from accepting money from Amazon.

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