

June 14, 2023

Representations on Case EC/03JJ
Competition Commission
19/F South Island Place
8 Wong Chuk Hang Road
Wong Chuk Hang.

We are writing to express our views on the proposed commitments. Overall, we believe that the commitments will enhance competition in the order-to-deliver services market by facilitating the entry of food delivery platforms.

However, we have some worries on the proposed commitments pertaining to exclusive terms, specifically the allowance for Foodpanda and Deliverloo to impose exclusive terms on their partnering restaurants against a small platform once it surpasses the 10% market share threshold. From our perspective, a platform with slightly above 10% market share faces formidable challenges in competing with the two prevailing platforms under the exclusive terms. This is primarily due to the widespread adoption of the exclusive terms among a substantial number of partnering restaurants of the dominant platforms. Consequently, a platform that gains slightly above 10% market share may find it challenging to provide adequate incentives for restaurants to relinquish their exclusive terms with the dominant platforms. Moreover, the strong network effect in the food delivery service market compounds the challenge of persuading restaurants to switch to either exclusive terms with the new platform or opt for non-exclusive terms. Furthermore, the aforementioned challenges may also deter prospective entrants from entering the market, and platforms with low market share may be hesitant to invest in business expansion.

We thus suggest that the Competition Commission conduct an active evaluation of the market situation three years after the implementation of the commitments and consider whether the 10% threshold remains suitable or should be adjusted/raised to accommodate the challenges we have expounded.

Regarding the Price Restriction Provisions, we support their removal. While such provisions were initially designed to prevent the "showrooming effect," whereby restaurants use food delivery platforms as a marketing tool and then direct customers to their own channels for actual purchases, they may inadvertently limit competition and harm consumers. By lifting these restrictions, restaurants will be able to offer lower prices on competing channels, thereby promoting competition and enhancing consumer welfare.

We also support the elimination of the Tying Provisions. Though these provisions may offer some advantages, such as convenience to participating restaurants and platform users, the

associated commission charges may lead to increased prices for restaurants and consumers. Therefore, it is preferable to grant restaurants the freedom to choose whether to utilize a platform's order-to-pickup services.

Ping Lin (PhD, Economics)
Center of Competition Policy Studies (CCPS)
Shandong University, China



Tianle Zhang (PhD, Economics)
Centre for Competition Policy and Regulation (CCPR)
Lingnan University, HKSAR

