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For Immediate Release

Competition Commission reaches resolution with Keeta on a two-step process to amend agreements with partnering restaurants

The Competition Commission ("Commission") has reached a resolution with an online food delivery platform in Hong Kong, Kangaroo Limited (trading as "Keeta"), in which Keeta has agreed to amend certain provisions in its agreements with partnering restaurants in a two-step process. The first step involves voluntary amendments to be made by Keeta, who has already informed its partnering restaurants that there will be amendments to their agreements shortly.

It came to the Commission's attention that Keeta's agreements with its partnering restaurants include provisions whereby:

- (i) Keeta would charge partnering restaurants a lower commission rate if they work exclusively with Keeta;
- (ii) partnering restaurants were restricted from, or penalised for, switching from partnering exclusively with Keeta to also partnering with other platforms; and
- (iii) partnering restaurants were prevented from offering lower menu prices to consumers on their own direct channels and on competing online platforms.

Given that Keeta likely has a certain degree of market power in the online food delivery market, the Commission considers that these provisions may hinder entry and expansion by new or smaller platforms, and soften competition in the online food delivery market. This will in turn deprive restaurants, and ultimately consumers, of the benefits of effective competition.

Following concerns raised by the Commission, Keeta has agreed to amend its agreements with its partnering restaurants in a two-step process:

- (i) **Step 1**: Keeta will voluntarily amend the relevant terms in its agreements with partnering restaurants; and
- (ii) **Step 2**: Keeta will, in parallel, offer a commitment to the Commission under section 60 of the Competition Ordinance ("Ordinance"), the substance of which mirrors the voluntary amendments in Step 1.

Implementing the voluntary amendments as the first step will result in the relevant provisions being amended or removed within a short period of time, thus bringing immediate benefits to both restaurants and customers. On top of the voluntary amendments, the Commission considers the additional section 60 commitment necessary as a second step to ensure that the amendments are legally binding and specifically enforceable by the Commission under the Ordinance. The Commission will commence a public consultation on Keeta's proposed commitment in the event the Commission proposes to accept it.

The benefits of the amendments to the agreements are numerous. While restaurants will gain greater flexibility in partnering with new or small platforms and in setting menu prices across their dine-in

and other delivery channels, new entrants and small platforms can collaborate with more restaurants and expand their networks. Ultimately, consumers will benefit from stronger competition between platforms, which brings more choices and potentially improved services and lower menu prices.

Keeta has been fully cooperative in addressing the Commission's concerns throughout the process and the Commission also recognises that in voluntarily amending the relevant provisions *ahead* of offering a formal commitment to the Commission, it has acted in good faith and in a manner that is conducive to the resolution of the Commission's concerns.

Food delivery is an integral part of daily life for many Hong Kong people, and the Commission is committed to safeguarding a level playing field in this sector. In December 2023, the Commission accepted commitments¹ offered by two online food delivery platforms, resulting in the amendment or removal of specific provisions in their agreements with partnering restaurants that may have harmed competition.

The Commission will continue to keep a close eye on the developments in this sector, and will take appropriate actions where and when they may become necessary.

¹ See the Commission's <u>press release</u> dated 29 December 2023.