HOUSE OF LORDS

Select Committee on Communications

Corrected oral evidence: The internet: to regulate or not to regulate?

Tuesday 8 January 2019

3.40 pm

Watch the meeting

Members present: Lord Gilbert of Panteg (Chairman); Lord Allen of Kensington; Baroness Bertin; Baroness Bonham-Carter of Yarnbury; The Lord Bishop of Chelmsford; Lord Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall.

Evidence Session No. 22 Heard in Public Questions 197 - 208

Witness

I: Lesley Smith, Director Public Policy, UK & Ireland, Amazon.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witness

Lesley Smith.

Q197 **The Chairman:** Good afternoon. May I welcome Lesley Smith from Amazon? She is our witness today in our House of Lords inquiry into the regulation of the internet, which is a fairly broad inquiry. We are very grateful to you, Ms Smith, for taking the time to come along to talk to the Committee. The session today will be available online and a transcript will also be taken, which you will have an opportunity to see. Thank you again for joining us. Perhaps, before I open up the meeting to Members of the Committee to ask questions, you could briefly introduce yourself and, in so doing, describe Amazon's main areas of UK business activity, and for each of them give us an indication of the relative size of the unit and its relative significance in the UK market, so that we have an understanding of the whole business.

Lesley Smith: I will try to. Thank you, Chairman, and thank you for the opportunity to meet with your Committee. We are a relatively young business in the UK. We have been in the UK for 20 years. Our ambition has not changed since the company was launched. We launched as an online bookstore in the States, but the ambition was very clear: to provide customers with a place where they could find anything they wanted online and to be the world's most customer-centric company. Those two things shape absolutely everything we do in our business strategy.

In the UK, we focus mainly on shopping and entertainment, on devices such as Kindles, Fire TV and Amazon Echo, and on services for businesses and sellers. Within that, there is Amazon Marketplace and things such as Kindle Direct Publishing and Amazon Web Services. The entertainment part is Prime Music and Prime Video. We have about 27,000 employees in the UK, which is rather different from the tech companies you have met so far. Obviously, we are a physical retailer, so we have lots of people moving physical things. Of those 27,000, about 19,000 are working in fulfilment services and customer services. The others are working in corporate services, in marketing and technology. We have four big tech development centres around the country working on innovations.

We think of the business as a whole as Amazon Marketplace and Amazon Retail. On our website, slightly over 50% of the items that are bought are not sold by us at all; they are sold by third party retailers through Amazon Marketplace. Those retailers include high street businesses and very small and very large businesses up and down the country. They are the seller of record. We do not own the goods at all. They can either fulfil directly from their own shops or premises and just sell online and fulfil it themselves, or they can put it in our warehouses and we offer Fulfilment by Amazon, so we deliver it and do the customer service and so on. That sometimes makes it much easier to achieve sales. We think those businesses are responsible for about 85,000 jobs and they did about £2.3 billion in exports in 2017, which are the last figures. We also have self-publishing with Kindle Direct Publishing. Of all the businesses that are enabled by Amazon in one way or another, from Marketplace businesses, to Kindle authors, to film production, to AWS, we think there are about 370,000 businesses that are in some way supported in their sales through Amazon.

I cannot talk about the relative size of AWS. It is an even newer business. We have had a cloud business since 2006 and it is a supplier of cloud services to businesses and enterprises of all sizes. That includes local authorities, charities and all sorts of organisations. Among our customers are BBC iPlayer, rather famously Netflix, and the *Financial Times.* Just Eat launched on Amazon. Citymapper launched on Amazon using Transport for London's data. Transport for London runs Journey Planner on Amazon Web Services. Cloud enables you to pay for what you use rather than having to invest in on-premises infrastructure. There is huge variety in the different services that are offered. There are thousands of different levels of service, from simple storage to all sorts of additional services such as running chatbots or using the kind of software that supports Alexa and Alexa apps and so on.

To give an example that will be familiar to most of you, UCAS—the Universities and Colleges Admissions Service—runs on AWS. It is a service where for most of the year people look for courses in architecture in Durham or sociology in Brighton, or whatever, in a fairly steady state, but in one week in August demand goes up because of A-level results, and it is absolutely critical that it can flex up and flex down when it needs to. It does not want to pay for that level of service throughout the year and it does not want to have redundancy throughout the year. It wants to be able to flex right up and to be completely resilient so that it is able to meet demand. Similarly, Transport for London on snow days or on a strike day will get five or six times the number of inquiries. It enables them to have that flexibility at much lower cost. New businesses, such as Monzo or Just Eat or Deliveroo, can enter their industry sector because one of their costs has been hugely reduced, not just by us but by the availability of cloud services from a big variety of players. It is a very competitive industry. The competition is pretty intense. There are new services all the time. We have reduced prices on AWS 68 times by simply changing the service, working with customers and looking at where we can make improvements.

The Chairman: Thank you. For clarity, and forgive me if I simplify it a little, I want to look at what you describe broadly as the retail side. I should declare an interest in that I am avid customer of Amazon and bought most of my Christmas on Amazon.

Lesley Smith: I am delighted to hear it, sir.

The Chairman: Roughly half of what you sell is sold by Amazon and roughly half is sold on behalf of others, whether you fulfil it or not.

Lesley Smith: I do not know if the value is roughly the same, but certainly in units just over half is Marketplace sellers and slightly under half is directly sold by Amazon.

The Chairman: And you fulfil some but not all of that Marketplace business.

Lesley Smith: It is partly to do with scale. Often, if it is a small business, it might decide to put some stuff on Amazon to see how it will go. If it has a fulfilment operation of its own, whether from its own warehouse, kitchen or shop, it will carry on doing that. Sometimes businesses want to scale up or to access international sales or are just growing and they will start saying, "Right, I am going to put it in Amazon's warehouses because it will go into Prime automatically and I can guarantee that it is much faster into the market".

The Chairman: If you look at what I see as the two main areas of your business, the retail side and the web services side, in the UK what is the rough relative size of those two units?

Lesley Smith: I honestly do not know. The slight difficulty is because we are a US-listed company, we report in the States. We do a consolidated report in the US and we report North America revenue and rest of world revenue. We break out AWS but we break it out globally and not by country. Within our American report we file a 10-K, which is a report for countries in which you have significant revenue, and our most recent revenue was £8.77 billion in 2017. However, that is all activity in the UK. I do not know what the break-out is of AWS versus anything else.

Q198 **Lord Gordon of Strathblane:** I imagine that somebody in your position sees their job as a two-way street, representing the company's interests to civic society here, and perhaps expressing the concerns of civic society about some aspects of the company's behaviour; to warn them in advance so that they can take anticipatory action.

Lesley Smith: Yes.

Lord Gordon of Strathblane: I imagine one of the issues you constantly have to mention is taxation, to follow on the point you made. I appreciate that it is an international company, et cetera, but I imagine from your point of view your job would be easier in dealing with civic society if Amazon paid a bit more tax, would it not?

Lesley Smith: I think it would be easier if there were a better understanding of how corporate taxation works internationally. Our worldwide tax rate, averaged over the last three years, has been more than 30%. We pay the corporate tax rate that most companies pay. I do not know where that fits in the averages, but it seems a fairly respectable rate. We are a relatively new business, so if you compare us in retail terms, and many people are wont to compare us with big well-known UK retailers, they have been in the UK for 100 years, and they have laid down and depreciated their infrastructure over 100 years. Ours has all been laid down very recently. In the last eight years we have invested £9.3 billion in the UK and, obviously, that has an impact on profitability in the short term. Our North American business is more profitable and our international business in the last few years has typically been unprofitable. That is not our long-term goal, but we are in a very deep investment phase. It goes without saying, but I will say it: we pay all the taxes that are due in every country in which we operate.

The other question is that Governments around the world and in Europe have been quite concerned about the phenomenon of international businesses that earn their income across borders. The issue is not whether they are paying enough; it is where they are paying and who is getting the share. The OECD has been working on how you divide that up. We think the OECD process is a good one. It is due to do some sort of report in 2020. The UK Government and other Governments would like that to be faster and we have a certain sympathy with that.

Lord Gordon of Strathblane: One solution that some people have touted is the idea of taxing you not on profits but on revenue.

Lesley Smith: I would question whether that is a solution. That is a very blunt instrument. First, we are already taxed on profitability so that tax is paid, but if the profits are low, the tax is compositely lower. If you are going to tax on revenue, you are in a situation where one company can ask, "Why are we as a company being presented with double taxation when other companies are not?" Also, people are looking at the technology sector as if it was all the same. We are a physical retailer so our margins reflect those of a physical retailer; they are very thin. There are other technology businesses which have much higher margins in the order of 40%. We have very thin margins and if you apply a revenue tax to an income stream on a very low margin, even though the level at which that revenue tax is set might in itself be low, if it is the same as the margin, it will be a 100% tax.

Lord Gordon of Strathblane: But you are still in a more favourable position than the high street retailers which have local authority taxes to pay.

Lesley Smith: So have we. We pay business rates just like anybody else.

Lord Gordon of Strathblane: Only in your warehouses presumably.

Lesley Smith: No, in every single building we have. There is no exemption. We pay them for our warehouses, for our head offices, for our technology development centres, for our delivery stations and for our lockers. We paid business rates on 94 sites last year.

Q199 **Baroness McIntosh of Hudnall:** What I want to ask you may be connected to this. I wanted to go back to what you were saying about the Amazon Marketplace retailers which are operating their own operations but using your platform. Could you give us some idea, first, of the spectrum of scale of those businesses? Are they mostly small and micro-businesses or do they include larger ones?

Lesley Smith: All sorts. I am trying to think of some names. House of Fraser was a seller. There are all sorts of different businesses. Black

World Books sells on Marketplace. We ran an advertising campaign in support of small businesses on Marketplace in September/October-time. One of them is Shearer Candles. That is a relatively small business in Scotland. It sells through us, through Ocado, in John Lewis stores and it has its own stores. Originally, it had two or three stores, but it found it was able to build its brand online through Amazon, Fragrance Direct and some others, and it has now expanded its physical footprint and gone to five stores. It is difficult to think of a typical business because there are other online businesses that also sell through us. AO, the white goods retailer, sells through us as well. There is a huge variety in the businesses that sell on Amazon.

Baroness McIntosh of Hudnall: I saw the ads for the candle people, so that hit at least one customer.

Lesley Smith: Excellent.

Baroness McIntosh of Hudnall: That leads me to the second bit of what I wanted to ask you, which is the terms on which you operate with them. You were talking just now about your own margins being very thin. Generally speaking, if you have very thin margins, you need higher volume and you also need to do very tough deals with the people you are working with. Can you give us some idea of what the business arrangements are between you and the people on Amazon Marketplace?

Lesley Smith: I wish I had printed out the pages. It is very clear on Marketplace. We have Seller Central and if you go to our website, at the very bottom you can find "Sell on Amazon" and you follow the route and it gives you the fee rates for every different category. The fees are slightly different depending on the category you are selling in. Broadly, we have two categories of seller. You can either be an individual seller, so me selling my university textbooks or whatever, or you can be a professional seller if you are selling more than a certain volume, if it is your business. You pay a flat-rate monthly fee. I regret I did not bring the details with me so I cannot remember, but I think there is an additional very small fee per item. I cannot remember what the order is, but I am happy to send that to you, and that is set out by category so it is clear what the rates are. We aim to be as competitive as we possibly can. If you are simply listing, it is a transaction-related fee. If you are using Fulfilment by Amazon, we will charge you a fee that relates to storage and fulfilment.

The Chairman: May I come back? In response to Lord Gordon, you explained that the margins on your retail businesses are very thin. Are the margins on your web services similarly thin?

Lesley Smith: I do not know. I would have to come back to you. In everything we do, we aim to provide customers with the lowest possible prices. Every business in which we operate is highly competitive. There are lots and lots of cloud providers and lots and lots of retailers. The UK is among the most competitive retail environments in the world and among the best retail environments in the world. You have to operate on relatively thin margins. In cloud we are keen to drive down that cost. It is a business in which you have to do—and we have done—a lot of investment, and that investment has been relatively recent, but we are working with customers to drive down costs wherever we can. We operate on the lowest margins we practically can.

Q200 **Lord Goodlad:** May I change the subject to cloud, please? As more web services are moving to cloud, should cloud providers be regulated as an essential service?

Lesley Smith: May I take that in two parts? The answer as to whether they should be regulated is that they are regulated in many areas. I have a list somewhere. We are regulated as a processor under GDPR. We are a signatory to Cloud Infrastructure Providers in Europe. We have to observe codes of conduct. For example, the Financial Conduct Authority provided cloud guidance for financial services firms in coming on to the cloud. There are lots of layers of regulation in the UK, in Europe and internationally. There is the NIS directive on security. To that degree we already are.

You are asking a slightly separate question about being an essential service. Traditionally, you would think of an essential service as being one where there is a limited infrastructure controlled by a limited number of companies, without necessarily much variation. Electricity and water might fall into that kind of category, where you regulate because there is no competition, and you regulate because you regard it as something for which there are very limited substitutes. In the case of cloud, there is an enormous number of substitutes. Cloud is one way of providing infrastructure services, and the most obvious substitute is what most people currently have, which is on-premises infrastructure. They already have on-premises private servers or on-premises private clouds. There are layers and layers and a myriad of different services out there. There is massive opportunity for substitution. It is not essential. It is hard to say that we designate this kind of delivery as being essential when there are all these other alternatives.

Perhaps I am arguing myself around a corner. Should it be regulated because there are limited providers? There are not limited providers; there are thousands of providers and new ones all the time providing different kinds and levels of service. It seems to me that we have the regulatory tools. There is the CMA and all sorts of tools to protect competition, and to protect consumers and businesses using those services, but there is also incredibly fierce competition, and very rapid innovation and competition in that innovation, which should protect also consumers or businesses.

Lord Goodlad: In your view, is cloud a platform and how should cloud services be legally defined?

Lesley Smith: I would go back to the previous answer, which is I do not think it is a platform, because cloud is part of the myriad of infrastructure provision, and it can mean a lot of different things. Some of it is on premises, some is private cloud and some is public cloud. The connotations of the word "platform" are not helpful, because people think it means there is a kind of gate, and there is not. There are lots and lots of different ways of buying IT infrastructure services and you can buy lots of services from one business or you can buy a range of different parts of your provision from competing businesses. That does not feel to me like a platform.

Lord Goodlad: Thank you.

The Chairman: There are a range of options other than the cloud, but are you dominant in the cloud market?

Lesley Smith: No, because there is such enormous competition and speed. There is a difference between prevalence and dominance. One of the articles that the clerk helpfully sent to me yesterday refers to one of our competitors saying it had grown 89% in a year, without releasing any figures as to what its actual turnover was. An environment where you have new services and new providers all the time, huge amounts of investment and companies saying they are growing 89% in a year does not seem to me like an opportunity for anyone to be particularly dominant. There are lots of businesses fighting globally and innovating to offer new services and to bring new things to customers. We are a very long way from a situation in which you can say that anyone is dominant because the business is growing so much.

The Chairman: Do you have any sense of your market share of large public sector cloud contracts?

Lesley Smith: I honestly do not, but I am happy to come back to the Committee if I can find information on that.

The Chairman: Thank you. That would be useful.

Baroness McIntosh of Hudnall: Chairman, may I extend the question you have just asked because we have heard that Amazon does not regard itself as being dominant? Is it an aspiration to be dominant?

Lesley Smith: Amazon is a remarkably simple company in some respects in that we do not every year revisit our mission vision. We say, "Our mission is to be the place where you can find anything you want or need online". You do not need to be dominant to do that; you need to be good at what you are doing to do that and you need to work hard and find good partners. In talking about Marketplace, we did not set out to create a marketplace initially. We set out to be the place where you could find anything online. It is very difficult for one company to say, "We are going to provide one of everything". We simply could not do that. We spent a number of years looking at different ways of trying to find partners who would sell with us so that we could extend our offer to customers, several of which failed miserably. We launched shops online and they were not terribly successful. Marketplace is not separate from the rest of Amazon; it is completely integrated. We worked out that what consumers wanted to do was to search for the thing they want. If I search for blue shoes, I want to see everyone’s blue shoes. I do not just want to see Amazon’s blue shoes. I want to see blue shoes by Start-rite, Clarks, Geox and Adidas all in one place. That is how Marketplace works because it enables you, like a marketplace, to find everything. You do not need to be dominant to do that. You need to have really great business relationships and partners and find people who want to serve customers with really great products.

Q201 **The Lord Bishop of Chelmsford:** I take everything that you are saying, but you are perhaps painting a picture which is not entirely the picture that many of us see when we look at Amazon. Could we continue with the example of the blue shoes? Say I decided—and it is very unlikely—to buy, in my case, a pair of purple shoes, I would go on Amazon and look at all the purple shoes. Your people are also logging and are very good at logging what I look at and telling me, “If you like these purple shoes, you may like these red shoes”. You might notice that one purple shoe is selling better than all the others, so what you do is produce your own Amazon basic version of the purple shoes.

Lesley Smith: No.

The Lord Bishop of Chelmsford: You do.

Lesley Smith: I think there is a bit of a conspiracy theory here.

The Lord Bishop of Chelmsford: Hang on a minute; let me finish. There is strong evidence of that, maybe not with shoes but with other products. Some businesses are very grateful for what you do. You provide a marketplace where they can sell their wares and nobody is suggesting that you are doing anything wrong. You are only doing with other products what Sainsbury’s did with baked beans by producing their own-label baked beans. However, there is evidence to suggest that is holding back innovation and forcing some small businesses out of business and you are now achieving a dominance in certain areas. My question is: what sort of world do we want to live in? Even though you are so successful, do you also fear the world that is being created where you can get your Amazon version of everything?

Lesley Smith: First, let us go back to the question of dominance and then I will go back to the purple shoes as well and the individual products. On the question of dominance, 82% of UK retail is not online at all but is in physical retail. Only 18% is online. It is pretty difficult for anyone who is selling online in UK retail to be dominant. I do not see how anyone can do that. In our particular case we are a pretty small proportion of that. Our total sales for all activities, not just retailing but everything we do in the UK, was £8.7 billion in 2017.

The Lord Bishop of Chelmsford: But 18% is fantastic.

Lesley Smith: It is not just us.

The Lord Bishop of Chelmsford: Retailing 18% online is fantastic.

The Chairman: Could you address the Lord Bishop's question more specifically, which is about having intelligence from your users on products that are selling?

Lesley Smith: I will directly, but let me just finish with one sentence, because I would not want there to be a misapprehension on the record. We are not even remotely at 18%. That 18% includes lots of retailers—Marks & Spencer, John Lewis, Sainsbury's, everybody. We are somewhere around 2% of UK retail.

The Lord Bishop of Chelmsford: That is eye-wateringly good and getting better.

Lesley Smith: We work very hard to have 2%. Tesco has 11%. On the purple shoes point, customers search for things, but our retail business does not see any data relating to our Marketplace business. We do not have that visibility. Marketplace sellers can see how their things are selling, but our marketing people cannot see the sales figures or any of the data that relates to a Marketplace seller. That is just not available to them. They can see the same as anyone else. There are loads and loads of independent businesses that track what is selling online. There is a company called CamelCamelCamel and you can go on to its website and see what is selling well on Amazon. We also display what is selling well on Amazon. Many Members of this House write books and they tell me from time to time they are delighted to see that their book is listed as a bestseller in ecclesiastical fiction, or whatever it might be. There are all sorts of things, including popular political books. I saw Andrew Adonis one day and his book was indeed, happily, top of whatever list it was that day. That information is available to everybody. You can see our bestseller lists in most categories.

Yes, we see what is selling well, but only as an outsider and not as an insider. Many years ago, I worked in physical retail before I worked in Amazon and we used to send store managers to look at our rivals to see what they had in their windows and what their prices were. We would say to people, "We need to match their prices and knock 50p off to make sure we are matching their prices", or you would say, "They have whatever it is in the green model; we need to get the green model too". That was 15 years ago. Every retailer watches what is selling well. Also, where we can, we offer our Marketplace sellers the same information as we offer ourselves. We have data on what people are searching for. You are right, if they are searching for purple shoes and we see the search information, we would tell our shoe buyers, "You need to get a lot more purple shoes". We would also tell our Marketplace sellers. We have a system called Nudge and in the category they are in we would see they had loads of blue shoes and we would send them nudges that say, "You might like to know that the most popular search in your shoe category at the moment is for purple shoes". That information is available to both sides, the retail side and the Marketplace side.

Baroness Bertin: Is the Chinese wall you speak about self-imposed as a result of business ethics?

Lesley Smith: Yes.

Baroness Bertin: Could there be a time when mission creep kicks in?

Lesley Smith: You go back to the fact that we absolutely have to be a trusted business. At the end of the day, people can choose to sell on Amazon or choose to sell elsewhere. There are hundreds upon hundreds of marketplaces. Very often parliamentarians think of two marketplaces but there are many different marketplaces—Alibaba, Wish, Depop, Shpock—in which they can sell. They can also sell through their own stores or online directly and so on. The most important thing for us is customer trust and that includes seller trust. I respect what you are saying. I know that some sellers think that because they sell something for a while and somebody else is competing with them, it is our fault because we have persuaded a competitor to come along. We simply have an open door. Anybody can look at what is selling well and say, "Do you know what? Spark plugs are selling really well. I should get out there and sell some spark plugs". That is not because we have special insight into how spark plugs are selling. On the question of whether you could start bleeding that information across, no, you could not, because that is about business ethics and maintaining seller trust. Those two parts of our business are separate to that degree.

The Chairman: We will move on now to another question area and Lord Allen.

Q202 **Lord Allen of Kensington:** I would like to talk about personal data. Should competition authorities consider the trade in personal data as a market in itself?

Lesley Smith: First, we do not sell personal data. I want to make that very clear. We do not make any personal or customer data available to anybody else. We have advertising on our site and we can direct information to a target group of customers, so the people who are searching for purple shoes or the people who are searching for garage doors, or whatever it is. That is the kind of data opportunity there is for advertisers with us and they can find a group of customers that are looking for those features, but we do not part with data in any way. We are obviously GDPR compliant, as you would expect. You can make a subject access request and see all the data we have. A lot of it is very visible so you can tell.

We provide recommendations, so if you have bought political books you will get served other political books. I get served, rather to my regret—my daughter browses from time to time and is keen on cats—a lot of stuff with cats on it. That is because those recommendations are based on search habits, but none of that data leaves us and goes anywhere. You can see on your own page the prompt that tells you, "People like you have bought things like this". If you go into your recommendations, you can also see underneath that there is a question every now and again, "Why am I seeing this? Why do I have this recommendation?" and you will click on it, and it will say, "Because you bought this and other people bought this”. You can delete your browse history or previous recommendations if you want to.

Lord Allen of Kensington: I can see the benefits of personalisation and sending me the books that I like. Turning that on its head, what are the things that keep you awake at night on the negative side of that? What other issues, whether it is data theft or employees selling data, which your company has had an issue with, or whatever, should you be concerned about and would like to share with us in terms of your worry about data? You have seen hacking and theft and people selling data.

Lesley Smith: I do not think we have seen theft of people’s data—I hope—but I am happy to look into that.

Lord Allen of Kensington: In September 2018 you were investigating allegations about data being sold to third parties.

Lesley Smith: I will look into that. You are right: that would keep us awake at night.

Lord Allen of Kensington: As you get to the scale you get to and because of the fragility of data and the impact it would have on your business, I am just trying to understand the big data fears you would have and, more importantly, what you are doing about it as such a big player in this space. That is what I am trying to get at.

Lesley Smith: It is the same for any business. You do not have to be an online business to have a lot of data. Tesco Clubcard, Nectar and Visa have vast amounts of data. These days all businesses have a huge amount of data and all businesses have a duty to protect that to the greatest degree possible. We invest hugely in data security. We do a huge amount of training throughout the company. We are very restricted regarding access to data. There are a lot of levels of security as to who can see data. Everybody in the company who has any access to data does a lot of training about how you handle it and what you have access to. It is very highly restricted as to who gets access to any data. We spend enormous amounts of money on very sophisticated protection of all our networks. It is never-ending investment and a never-ending principle that you have to keep up to date constantly.

Q203 **Viscount Colville of Culross:** You say that you are not dominant but the public perception is that you are. This morning I read that you have 50% of online book sales in America. You talk about customer trust and its importance. There is concern that you could leverage your intermediary power to dominate the markets both vertically and horizontally, and a result of that would be that you could push down prices for products below their costs and restrict access to customers. Should you be concerned about that if you are worried about customer trust? Should the competition authorities be worried about that?

Lesley Smith: Yes, we worry about customer trust all the time. We are in lots of sectors, but we are broad rather than deep in most of those segments. I genuinely do not think there is any segment in which we are dominant. It does not seem to me that the competition authorities think that either. The competition authorities have a lot of tools to look at competition in every sector and at consumer benefit and at consumer protection in every sector. It is right they should use those tools. I do not think it is very different in the online world or the offline world. We have always had businesses that expand into related services or areas where they can see there is customer need for it.

You mentioned e-books. We started as a physical bookseller. We wanted to be much more than that and over time we eventually invented Kindle in 2007. It was not really about saying. "We want to put a piece of plastic into everybody's hand and persuade them to read our plastic", because we want people to read physical books as well. The idea involved the opportunity to allow people to download a book in 60 seconds wherever they were. We thought that was a fantastic innovation. It was exciting and thrilling and it kept people engaged with the book world.

We never believed it was going to switch people to reading e-books instead of physical books. We thought it was going to engage them with literature long term. Certainly our belief is that once you have an e-book reader of some sort—and it does not need to be a Kindle; it can be an app on your phone or your laptop; there are masses of different apps from different companies—and you are engaging with literature electronically or physically, the more you do it, the more you want to do it. You read a book on your Kindle; you recommend it to a friend; you join a book club, and so on and so forth. That is us going into a related area, if you like, but I do not think that is at all anti-competitive. It is learning about new services that you want to provide for your customers.

Similarly, we started with Kindle and went into Kindle Fire and Fire TV. All those things were the result of thinking about what our customers wanted. They used to buy DVDs from us and now they want to buy streaming video. We want to be able to provide those services. The CMA and everybody else have plenty of tools already that enable them to safeguard consumer interests and safeguard competition if somebody buys, say, another big competitor. If you buy a competitor, the CMA has adequate tools to deal with that. If you expand organically into another sector, it has tools to deal with that. I am not sure that it is different online from in the physical world.

Viscount Colville of Culross: There are stories of what Amazon has done to use its power through loss leaders. I have been reading about Diapers.com, which is obviously an American company. Apparently, you slashed nappy prices through the Amazon Mom program and absorbed the losses, and Diapers.com ultimately went out of business and Amazon Mom was able to pick up the customers. There are other stories like that, so people are concerned.

Lesley Smith: I do not know anything about the Diapers.com story, but there are stories in retail all the time about how one company has reduced its prices. The supermarkets are much more caught in those stories than we are most of the time. I do not know about that particular case, but, yes, we have some products that we will try to offer at as low a margin as we can because we want to attract customers. I think retailing has always been like that. If you go into any supermarket in the land, you will see a gondola end full of products that are at a much lower price, which draws you into the rest of that aisle, because you think, "Good, red wine is cheap; I'll go and look at the rest of their wine, too". That is just retailing.

I cannot answer that particular question, but in general we seek to be competitive. We want to be competitive and we want to attract people. I do not think for a second that we have any interest in taking out competitors. That is not how it works. You want to have enough of a range of products so that customers come back to you and continue to shop with you. We really do not spend our time thinking about the competition. We spend our time thinking about customers and how they shop. If we spend our time thinking about the competition, we are failing to think about what we need to be doing for customers. We are failing to look at the things our customers are looking for and at how we are going to get more of the things that our customers want to buy and at how we arrange ourselves so that we can offer those quickly, or offer a good range of choices, or offer them things at the right prices. Let us find more partners who can provide the things our customers want to buy. We are not the kind of company that spends its time thinking, "Let's look at who else is in this business", and worrying about the competition. Right at the top of the company, the first day you do your training when you are inducted into Amazon, people say, "Our job is to worry about the customer; not to worry about the competition".

Baroness McIntosh of Hudnall: You have talked about the customer and you have talked about the competition but what you have not talked about is the creators. For example, in the model of bookselling that Amazon has so successfully marketed—and, hands up, I have a Kindle and I buy books that way and it is very useful and convenient to be able to do that—I sometimes think, "What is the person who wrote this book getting out of this?" As the retailer, how much time do you spend thinking about the people who actually create the content, not just the books but the other things that you sell, without whom you would not have anything to sell? How much time do you spend making sure that the deal you get for them is good enough that you can provide a really hot deal for your customers about whom you are most preoccupied?

Lesley Smith: The answer is "a lot". Interestingly, we meet the Society of Authors quite regularly because from time to time it has the same concerns that you have suggested. We meet with the Publishers Association. We meet all our buyers and with everybody who provides products in different guises. The book team will meet people in the book industry and the fashion team will meet people in the fashion industry, and so on. Again, it is not in our interest to make things difficult for our suppliers. We never want to do that. We want to be in an environment where they can sell more and earn more of a living. We believe that that has been extremely successful in the book segment in particular. There are more books being published every year, partly because the routes to self-publishing have become available so many more authors can publish either online or publish through CreateSpace and print books on demand, and earn a living at their craft. That is very new and it is a huge opportunity.

The book industry has certainly changed and it has changed not just because of us but because of the fact that supermarkets and all sorts of different places sell books. There are more places you can buy books than there ever have been at any time.

Baroness McIntosh of Hudnall: It is not just books, is it?

Lesley Smith: No, it is not.

Baroness McIntosh of Hudnall: The music industry has changed partly because of your interventions. I do not mean this to sound like an accusation. I am simply saying it is a fact that, as a company, you are now intervening in the creation of content so that other providers have you as a competitor not just through what you market but through what you create.

Lesley Smith: For all those industries, the internet, and not just Amazon, has changed everything. Music, creative content and all sorts of things have changed a lot because the internet has made things much more available and accessible. Having a secure way of selling books that is resilient to piracy has protected the book industry in a way that is much more difficult for the music industry. Being able to encrypt books and protect them and sell them at a price that is sufficiently attractive that people would buy them rather than steal them is a very positive thing. There is always a tension. If you are an author, you want to secure the best price for every product, but you also want to sell a lot of product and you want your book to be widely known. That is a negotiation you would have with anyone selling anything. You would have to work out the elasticity and the trade-off and how best they can maximise their revenue, and we want to support people in maximising their revenue.

I keep going back to the book example. We promote the author and the literature. We do not promote just e-books or just print books. I was reading a book by Kate Moore called "The Radium Girls" over Christmas, which is utterly brilliant. You will find the author's name and the audio book, the print book, the hard-backed book and the e-book side by side. We are very neutral about how you buy it. We do not mind. We are promoting it so that you buy it and promoting availability. We have an authors' page behind it. You can blog on the site and promote your book in any way you can. We urge publishers to support their authors in doing that. We want that to work and we want that to be true for all our suppliers. That is also true for creative content. Yes, we have lots of people who are making creative content now for Prime Video or who are marketing their music through Prime Music. We believe that the same thing holds true and that being available to customers on an international basis is a huge opportunity. It is a fantastic opportunity for getting people's names known and making content available. It is not only Amazon; there are plenty of other competing sites that provide music or video content or books.

The Chairman: I think you have made this point and we appreciate it, but time is pressing and we need to move on at a bit of a pace. Lord Gordon.

Q204 **Lord Gordon of Strathblane:** In answering Lord Colville earlier, you mentioned that the CMA has quite a range of tools at its disposal in dealing with mergers. One tool it does not have, which it has offline in the case of media, is a public interest test. Do you think that a public interest test might, with profit, be brought into its weaponry?

Lesley Smith: Do you mean for retail?

Lord Gordon of Strathblane: No, for the transfer of data. I am not saying this directly affects Amazon. I am just asking it as a question.

Lesley Smith: I am sorry, I have not thought about it in that way. There are no successful companies that are not using lots of data one way or another.

Lord Gordon of Strathblane: I am talking about the transfer of data from one company to another, which you have said you do not do, so I am excluding you from it.

Lesley Smith: You mean selling data. I am not entirely certain I can answer that question. There are companies whose business model is around selling data. We are not one of them. You already have rules within the GDPR that protect consumers' private data. Whether you need the CMA to have a role in that, if I am honest, I have not considered that.

Lord Gordon of Strathblane: If we move on to a different aspect of your activities, Amazon seems to expand horizontally quite a lot. It may be by accident or by some grand plan that nobody knows about. One area you have now gone into to quite an extent is video on demand. Some people are worried that at the younger end of the age spectrum, video on demand has almost replaced broadcasting as the means by which people watch the programmes they like to watch, or television or films that they want to watch. First, do you think the provision of video on demand should be subject to the same degree of regulation as broadcasting?

Lesley Smith: It largely is. There used to be ATVOD and ATVOD became part of Ofcom. There is a slight misperception about whether it is regulated or not. Ofcom applies very similar standards to video as it does to broadcasting.

For our part, we provide video on demand through Prime Video. There are very easy parental controls on that site. If you have an Amazon Fire TV Stick, you can enable parental controls from day one, so it is very clear. If you go back to the years before streaming, and even before digital television, the only control people had was the watershed, so the assumption was that children would be protected by being in bed by 9 o'clock. I would that were true in my house. Now we have much more sophisticated tools and we provide really simple parental control PINs. We do that not only on Fire TVs but on devices. We have a product called Kindle Fire for Kids where there is no in-app purchasing and no advertising. Parents can control how long it is on for and they can restrict it so many times a day. They can say, "You can only watch videos after you have read so much on your e-book", or whatever it is. Parents can have a high degree of control.

Lord Gordon of Strathblane: Following a recent speech by Sharon White of Ofcom, I gather the Government are consulting on the equivalent of EPG prominence on digital services. How would Amazon respond?

Lesley Smith: I am aware of that. The answer is that we are still thinking about it. I am glad she is doing a consultation on it because there is a lot to be discussed. You have to think about the different ways in which people consume media. Would you mandate prominence on a mobile phone? I do not know. She has some difficult things to think about in how you make that work. For my part, my interface is my Fire TV or my Fire TV Stick, but when you go into my self-controlled EPG, at the moment the first thing it has is BBC iPlayer, then All 4 and then "The Marvellous Mrs Maisel". I think it is a good debate to have and we welcome the fact that Ofcom is doing a consultation. It is complicated because you have an awful lot of consumer-enabled choices and how you do that and ensure that visibility for public service content is still there.

Lord Gordon of Strathblane: You would accept that it is desirable that there is high visibility for public service content.

Lesley Smith: Yes, I would. I do not know how you answer that but in principle, yes. Have we thought hard about our response and made a response yet? No, we have not.

Baroness Bonham-Carter of Yarnbury: To be honest, I think my question has been covered.

The Chairman: Baroness Bertin.

Q205 **Baroness Bertin:** Could we talk a little about design? You mentioned just now about interfaces. How much time and effort do you spend on the design of your interfaces, because, presumably, that is key? Some people in evidence to this Committee have described it as "surveillance capitalism" using various phrases such as that. I would like you to expand a little more on that.

Lesley Smith: I have never heard the phrase "surveillance capitalism" before and I am not entirely certain what it means either.

Baroness Bertin: You can ask the professors from Cambridge what it means.

Lesley Smith: I will look it up. We spend a huge amount of time on it. Our job is to ensure that we make life easy for customers. I keep going back to online and offline examples. If you were designing a physical shop, you would have test stores. You might say, "I have a chain of retailers. I want to change how people see fashion because they are not seeing the right clothes, so I am going to have three test stores, and in this one I will put hats in the front, in this one I will put boots in the front and in this one I will put handbags at the back", and see what changes in how customers find stuff. That is what physical retailers used to do and, for all I know, still do. They have test stores and pilots. It is hard to navigate a little square and find all the things you want. It is harder still when you are doing it on an app. We spend a lot of time thinking, "How can we make this easy for customers? How can we design this so it becomes as intuitive as walking around a shop and knowing where to find things in a department store?" We spend a lot of time on that. We test stuff and we pilot stuff and we use our staff to test stuff, as any retailer does.

Baroness Bertin: Presumably, that design is based on customer data and on algorithms.

Lesley Smith: Yes.

Baroness Bertin: We have spoken quite a bit in this Committee about the accountability and transparency of algorithms. Do you have a view on that?

Lesley Smith: The word "algorithm" has a bit of mystique attached to it, but algorithms do maths. It is exactly the same as old-fashioned retailers counting footfall data and working out that more people came on Sunday afternoons than came on Tuesday afternoons so they began to open on Sundays because people were free, or that a product sells better if you put it here rather than put it there. All those things are algorithms. We have more data now and we can compute it much more efficiently, but all you are doing is looking at what customers do and seeing how you can help them. We would use an algorithm to predict how many blue shirts we will sell this year. That is based on how many blue shirts we sold last year, what is in fashion this year and all sorts of different things.

Baroness Bertin: Sure, but with everything that has gone on over the last year, rightly or wrongly, there is a growing sense of public mistrust in the use of data. We know all that. You talk about business ethics, but would it not be of interest to be more transparent or is that not part of the debate at all within Amazon?

Lesley Smith: I think we try to be quite transparent. In our terms and conditions there is a little bit that says how we use data and a bit on our privacy policy, which explains to people how data is used and how we do stuff. No retailer publishes its pricing policy because that is commercially sensitive, so most retailers watch that all the time and say, "So-and-so is doing that a different way; I wonder why they are doing that?" They are doing that because they have observed their customers and have thought hard about what they are doing. I am really glad there is a Centre for Data Ethics and Innovation because, in public conversation, it is good to demystify some of these things and say, "This is not sinister". People have always watched what customers want and what customers do, in order to be good at their job, and to try to serve them with the things they want as efficiently as possible, and not to waste their time.

Again, when I was in physical retail, one of the things you would track is how many customers came into your store and walked out without talking to anyone, because that was a failure to engage. If the customer did not find anything they were interested in in your store and they only came in to get out of the cold, you were not doing something right. That is the same for us. Not just retailers but everybody online is measuring how long a viewer or customer, or whoever they are, spent with them before they left. On a Kindle, did they read 20 pages or 300 pages? Did they chuck this book away after the first five pages? In a store, did they spend 20 minutes or half an hour? All those things are measured and computed by algorithms. Perhaps not us specifically but users of data should talk a little more about how they use it, because explaining what we are doing might make it seem a little less sinister.

Baroness Bertin: I think you are on to something there, to be honest. I have a final question. I accept what you say that you only have 2% of the market and you are not market dominant and all the rest of it, but companies such as Amazon are changing the way society acts and behaves. As a company, how much time do you spend worrying about that, if indeed you do? For example, the high streets are closing and all the rest of it, and I would like your views on that.

Lesley Smith: I could never answer the "how much time?" question because I do not measure how much time is spent.

Baroness Bertin: Sure, but is there an emphasis on it or is it even considered?

Lesley Smith: We talk about the high street a lot, partly because people ask us about it a lot. We are on the high street in some cases. We have Whole Foods, which is a very small operation in the UK, but we have some Whole Foods stores and some book stores in the States and Amazon Go in the States. Those are very tiny operations that we are thinking about. Yes, we think about that. If you go back to Marketplace, many of the Marketplace businesses that sell on Amazon also have high street premises and they are thinking about their businesses. Nobody went out to say, "We must take people away from the high street". The internet exists and it provides a way to provide opportunities for customers.

Q206 **The Chairman:** I think what Baroness Bertin is asking is: do you worry about what is happening in the high street?

Lesley Smith: I think everybody worries about it. Everyone who lives in the country thinks about it.

The Chairman: As a corporation, do you worry about the high street?

Lesley Smith: Yes. In various parts of the country, we are a part of the local community. We have tens of thousands of staff who are in the communities around our fulfilment centres or other parts of our business. We are part of various local business development areas and business development groups. We are part of that debate about how we can strengthen the high street and what we can do. Some of that is about change of use and much more flexibility in how space is zoned and arranged. We take part in that debate as much as anybody else. I do not pretend to have any great expertise because that is not a place we do business.

I met the Commons Housing, Communities and Local Government Select Committee in the future of the high street debate just before Christmas. It was having that debate about business rates and retail premises and how you change the high street to ensure that people use a whole range of different services. We help with that to some degree in that we have 16,000 Click and Collect locations. Every post office in the country has Click and Collect and that drives businesses. We do that with other retailers. The Co-op has Click and Collect locations. We have lockers in stores and shopping centre car parks. The reason retailers want to have Amazon lockers is that it drives footfall into their stores, and we are very happy to work with them to do that.

The Chairman: I have a quick and fairly precise question on interfaces, which we talked about a moment ago. If I ask Alexa as one of your interfaces at home to order my favourite red wine and it is available both from Amazon and from Marketplace at the same price with free delivery, how does Alexa choose?

Lesley Smith: On the basis of your preferences. It is what you ordered last. On my Alexa I have AmazonFresh and Ocado and I have both apps enabled. If I say, "Add this to my shopping list", she will say, "Which one?" and offer me either the Ocado one or the AmazonFresh one.

The Chairman: If I ask her to find me a product that I have not bought before and it is available both from you and from an independent retailer, what would she do?

Lesley Smith: She would say, "I have found the following things", and she would put it in your shopping list. It is the same as a physical search in that it will find the product that most closely matches your search.

The Chairman: So it would never default straight to the Amazon option. If there is more than one option, it will give you those options.

Lesley Smith: It will give you those options. I see mine. I have an Echo Show, which I recommend to you, which is the one with the little screen, and it will say, "I have found the following products that match your request".

The Chairman: I do not have a screen on mine.

Lesley Smith: I do not know what they cost these days but I could make you a bargain offer. Mine will show me the five or six items that match my search and I pick one, or it will put the list in and I will select it on the app.

The Chairman: We will have a couple of interventions and then we will move on to the final question. Lord Colville.

Viscount Colville of Culross: You said that customers and customer needs come first. I am looking forward to where this will all go. I understand that in 2012 in America you filed the patent for anticipatory package shipping, which is shipping product before the person even knows they want it. It was slightly mind blowing. Is that going anywhere? Is that being rolled out?

Lesley Smith: We file a lot of patents and some develop and some do not. I am dimly conscious of that one. We file a lot of patents and some of them come to something and some of them do not.

Viscount Colville of Culross: Do you expect anticipatory package shipping to be coming our way?

Lesley Smith: I have very little idea. I am very sorry.

Baroness Bonham-Carter of Yarnbury: You have mentioned Whole Foods a couple of times in response to supporting the high street. What is your plan for Whole Foods?

Lesley Smith: We would like Whole Foods to be great and customers to love it.

Baroness Bonham-Carter of Yarnbury: And for it to remain in a physical building.

Lesley Smith: Yes, yes, absolutely.

The Chairman: The final question area is from Baroness Kidron.

Q207 **Baroness Kidron:** I think my colleagues have covered a lot of this and you have answered very fully. May I ask you a very general question on what you understand by the words "ethical by design"? A lot of people have mentioned that in the course of our inquiry. Would you answer that and then I have some more specific questions that I would like to ask?

Lesley Smith: I suppose it goes back to the fact that we want to ensure in everything we do that we are offering customers, to the best of our endeavour, what they want, and protecting their interests. We do not want ever to put customers at risk. We are predominantly an adult site, entirely an adult site in fact, but in as far as we produce products for children, such as Kindle Fire for Kids, we have spent a lot of time thinking about how children use things. We did focus groups and asked, "What are the things parents worry about or what are parents concerned about in this product?" Parents are concerned about kids inadvertently buying stuff on apps—in-app pop-up advertising. They are concerned about inappropriate content and kids being too long on screen. We said, "Let's work out the things we can do to fix those things". Parents can manage time limits. When my daughter had a Kindle Fire for Kids, she was allowed 20 minutes a day and an hour at weekends. She was really cross about it, but it was very easy to set up with a password. I set it up so that there was no advertising and no pop-ups and it was a very restricted browsing experience. In that particular case, it was thinking about the product, but it is different product to product. You ask, "What are the things people are concerned about in this product space? What risks are they concerned about and how can we best safeguard that?"

When the Minister answered this question, she said that you want "an environment where companies are incentivised and their motives and algorithms are aligned with the public good and higher ethical standards". I agree with that, but companies that know they succeed or fail on the basis of customer trust are already highly incentivised. If we forfeit customer trust, that is the game over. I have to do customer awareness training and code of practice training, which is renewed every year, and the thing that comes up first is, "What is Amazon's most precious asset?" It is not AWS or Marketplace or shedloads of data; it is customer trust.

Baroness Kidron: I am curious about that because there is also a tension between convenience and trust. In the digital sphere, a lot of people might find themselves doing something very convenient that perhaps they do not trust. Do you ever look at that?

Lesley Smith: We have lots of measures of customer trust. There are independent measures, our own measures and we do independent polling. We spend a lot of time measuring customer trust. The most obvious thing is whether people come back. Yes, we absolutely seek to offer convenience, but we seek to do it in a way that is transparent, where people understand what we are doing. One of the things I spend the most time explaining is Marketplace and how it operates. I welcome the opportunity to do that.

We had a group of sellers who met Ministers and MPs and we try to get more and more of our sellers to engage with what we are doing so that they are able to advocate to their colleagues. We want to build trust with them. Possibly that communication is a bit overdue and we are working harder at that communication to ensure that sellers have greater confidence in how we look after them and how we operate. We provide an awful lot of information to them and we want to communicate that more effectively. We spend a lot of time worrying about customer trust.

Baroness Kidron: In the course of the afternoon, you have given a very good account of the similarities between Amazon and retail in general, but is not the difference that you are in people's homes, in their bedrooms, in their pockets, and you are integrated into their lives, and that is part of the success but perhaps part of the problem area?

Lesley Smith: It is something customers choose but they do not just choose Amazon. Many of you will have a mobile phone and on it you will have various apps and you will look at social media and look at us. When I am in the canteen at work and I see someone with a nice jumper, I might say, "Where did you get that?" I was speaking to somebody at Christmas and I said, "That's really nice; where did you get that?" and she said, "Oh, Instagram". Yes, in that case it is convenient, but she is also in a slightly different market segment than me—she was 20 years younger—and it had not occurred to me to shop on Instagram. All those things are convenient, but they are also highly competitive, so the safeguard is there are lots of ways of doing things and lots of different choices. People are not sitting at home with Amazon as their only option. They have a great many choices.

Baroness Kidron: Forgive me if you thought I was accusing Amazon; I do not think I was. The competition that you describe is perhaps experienced by the consumer in a slightly different way because you all compete against the one poor us. Back to this ethical issue, where perhaps my colleagues Baroness Bertin and Lord Colville were going in talking about anticipatory purchasing and so on is the fact that we have a new world order in which Echo hears our voice. We know that the emotions of a voice are much more available than the emotions available through ordering something in that way. There are new forms of interaction in this space and these are the things that people concern themselves with. With opportunity comes new risk and that is the way that we have been looking at it. I do not think anyone wants to get rid of Amazon or, indeed, the internet.

Lesley Smith: I am relieved by both of those things. You are right, of course, that as society changes and the way we do things changes, there are phases of excitement and then it becomes normalised. People change their behaviour in that excitement phase and then it calms down. To go back to the anticipatory purchases point, we have something called a Dash Button, which you can put by the washing machine and when you run out of washing powder, you press a button to say, "Buy me the same thing again". We spend some time thinking about how we can engineer that convenience more effectively. I do not know about anticipatory purchases, but I suppose if you are a regular purchaser of dog food and your dog always eats at the same rate, you might be able to anticipate, "We will deliver that person's dog food sale or return every three months". I have no real idea how it might work, but, hypothetically, it could be like that.

What happens is that people get very enthusiastic about something because it is new, but it is no longer unique after a while and there will be lots of choice, and people rebalance. "It was very exciting buying it this way. Now I am going to go back to buying it that way", or, "I am going to carry on and some of it I will buy this way and some that way". I buy e-books and I buy physical books. I am lucky enough to have a physical bookstore at the end of my street and I buy physical books as presents, partly because it is there and partly because the touch and feel is there, and that is fantastic. I also love being able to download it on the phone because instant gratification is nice.

Baroness Kidron: Is it not the case that the Dash Button has surge pricing?

Lesley Smith: No.

Baroness Kidron: Categorically not?

Lesley Smith: No, it is the same price as you would get on the website. There are lots of little buttons. There are buttons for all sorts of different things—cat food, dog food, washing-up liquid, loo paper, whatever—and it replenishes what you typically order on your website order.

Q208 **The Chairman:** Your mantra has been the mantra of any successful retailer, which is the customer is king and that your objective is to serve your customers and have their trust. Do you see serving your customers and retaining the trust of your customers as doing the right thing for society?

Lesley Smith: Part of it, yes.

The Chairman: By doing the right thing for your customers, you are doing the right thing for society.

Lesley Smith: Yes, but it is not the only way. Doing the right thing for society is a lot more than that. You mentioned Alexa. We started off with developing a product, Alexa. At the time you are developing a product, you think, "What is the potential of this product?" Who knows? The thinking was that this would be a great interface for a smart home, which is one of the things we were looking at at the beginning. The smart home started with people saying, "It would be really brilliant if you could turn your lightbulbs on from your mobile phone", and it turns out that it is not that brilliant. It is quite easy to turn your lights on and off and getting out your mobile phone, putting in a passcode and doing it is not that convenient.

However, the next step was that the idea that it would be convenient to be able to say, "Alexa, turn the lights on", or, "Alexa, switch on Radio 4", or, "Alexa, set a three-minute timer for my egg". All those things are convenient and quite fun and they make life easier. For me, they are not necessary but they are nice to have. When my mother was alive, what I really wanted to do, if it had existed, was to set it up to say, "Remind my mum every three hours to make a cup of tea" because she won't remember, or to be able to leave messages on it. I have a facility on mine with my brother where I can just say, "Drop in on Donald", and it will ask him if he is there.

We had some ideas about what we wanted to do with it. We wanted to be able to offer music and all the things that we offer through other sites and give people the opportunity to use voice for browsing rather than a screen, but we did not have a clear idea of all the things you could do. We worked a bit with the RNIB and its American equivalent to think about, "What are the things you could do with this to enable people to live their lives more easily?" The RNIB is a fairly obvious opportunity for people to use it. It is further developed in the US than it is here because it has been there longer. They have worked with a number of charities to look at services that can be developed for particular groups in society who want to develop skills. We have supported them in how they do that. We have sat down with them and said, "Tell us what their needs are and how we can help you to do that". It is sort of early days and we are feeling our way in asking how we can do that. We have a development centre in Cambridge where a lot of the Alexa voice technology is developed and it has sat down with a number of charities, with educational groups.

The Chairman: Is that a global development centre?

Lesley Smith: Yes. All our development centres do stuff for our global business. If the Committee wanted to come and see that or find out more about it, we would be very happy to arrange that.

Baroness Kidron: We are very used to talking about the big five or the big seven, if you include China and so on, but it is very clear that everybody is moving towards the same place, as Prime does content and Instagram does shopping, et cetera. Do you think we are on the verge of seeing something quite huge as the big five battle for or become the same thing?

Lesley Smith: What do you mean by the big five?

Baroness Kidron: The big companies, I guess Google and you and Facebook and so on.

Lesley Smith: We are all very different.

Baroness Kidron: But you are starting to do more of the same things. There is gradually more and more overlap.

The Chairman: As you demonstrated, Instagram are getting into shopping.

Lesley Smith: That is true.

Baroness Kidron: Original programming is now done through Amazon, Apple, Love. Is this the future?

Lesley Smith: That falls into the basket of we do not think about the competition; we think about what we are doing.

Baroness Kidron: Thank you.

The Chairman: Lesley Smith, thank you very much for your evidence. It has been very useful. You have offered to write to us on a couple of things to follow through, but the clerk and you can sort that out. Thank you very much indeed for your time.