

*Mergers between platforms :  
the SeLoger/LogicImmo merger*  
**Axel Springer / Concept Multimédia**




*SeLoger*



**LOGIC**  
-IMMO.COM

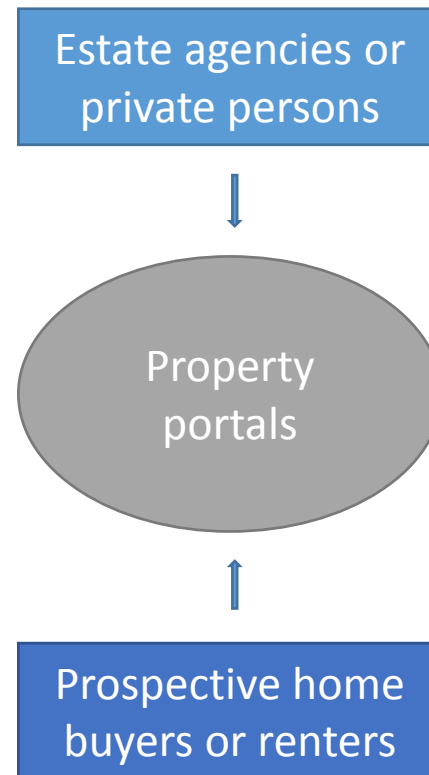
*Etienne Pfister*  
*French Competition Authority*

## BRIEF PRESENTATION OF THE CASE

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- Acquisition by Axel Springer (SeLogger-**SL**) of sole control of Concept Multimedia (Logic-Immo-**LI**)
  - Phase II decision
  - Merger authorized without commitments

# BASIC SKETCH OF THE BUSINESS

- Property portals are two-sided platforms with two principal customer groups



# ISSUES

- Market definition and interesting market characteristics
- Unilateral effects
- Decision also includes discussion of conglomeral effects but lack of time

# Market definition

# MARKET DEFINITION : MARKET FOR PORTALS OF REAL-ESTATE ADS BY AGENCIES

- On many aspects, the delineation of the relevant market concludes to a narrow market
- Paper portals, portals for private persons, own online portals **are excluded** from the relevant market of property portals

## MARKET SHARES - NATIONAL LEVEL

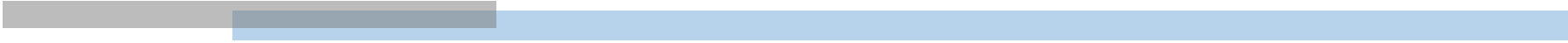
Portals	Market share (value)	Market share (nb of ads)	Market share (number of viewers)
SeLoger	[35-40] %	[10-20] %	[20-30] %
Logic-Immo	[10-15] %	[5-10] %	[10-20] %
Merged entity	[50-55] %	[10-20]-[20-30] %	[30-40] %
Groupe Le Bon Coin <sup>75</sup>	[20-30] %	[20-30] % <sup>76</sup>	[30-40] %
Le Bon Coin <sup>77</sup>	[10-20] %	[10-20] %	[30-40] %
AVendreALouer	[0-10] %	[5-10] %	[5-10] %
Explorimmo	[0-10] %	[5-10] %	[5-10] %
ParuVendu	[0-10] %	[5-10] %	[0-5] %
Bien'ici	[0-10] %	[5-10] %	[0-5] %
Autres sites	[10-20] %	[30-40] %	[10-20] %

## WHICH MARKET SHARE IS MOST RELEVANT ?

- ❑ Audience and number of ads are one of the main criteria for choosing a portal respectively for agencies and viewers
  
- ❑ Yet, turnover can be of greater interest for at least two reasons:
  - ❑ Real estate agencies are looking for contacts whose « quality » differs depending on the portal
  - ❑ Ads are sold with various degrees of services (mail ads, phones of users, targeted ads, targeted mails, etc.)
  - ❑ Hence a portal with less viewers may still have a higher attractiveness which could be reflected in its market share in turnover



## LOCAL DIMENSION OF RELEVANT MARKETS

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- Regional portals (subsidiaries of regional newspapers)
  - Viewers' habits in using different portals may be different from one region to another/ Translate into differing attractiveness of portals according to the region
  - Prices to agencies differ according to the region
  - Problem: market shares in value are difficult to estimate at the local level

# Two local markets of interest (nat. market share= 15-30%)

Region where the market share of the new entity is above 40%	Market share in volume terms (Number of ads published)		
	SeLoger	Logic-Immo	New entity
Île-de-France	[30-40] %	[10-20] %	[40-50] %
PACA	[20-30] %	[10-20] %	[40-50] %

# THE MERGING PARTIES

- Pre-merger, SeLoger is considered as « unavoidable » by many estate agents
  - Because of its reputation, audience (both in number and in quality)
  - Se Loger is much much more attractive than LI (market test)
- Logic-Immo is the third portal with some competitive advantages
  - Thanks to its reputation, audience and value for money
  - But it is a clear 3rd (not 2<sup>nd</sup>) according to the market test : it is much less attractive than LBC and SL according to agencies
  - It may actually be more in competition with other complementary portals to SL or LBC than with SL or LBC themselves

## AN EVOLVING MARKET

- According to internal documents and market test, Le Bon Coin (LBC) is the real threat to Se Loger
  - LBC has a lower market share in value but a great audience : why ? How is it likely to evolve ?
    - LBC has not developed supplementary services yet – still increase in revenues of 40% from Q4 2015 to Q4 2016
    - Lower quality of contacts but it is increasing as testified by some agencies
    - Recent acquisition of A Vendre/Alouer
- Bien' Ici: launched in december 2015 by estate agencies themselves
  - Aggressive pricing, large number of ads, new services
  - Not that much known by consumers but audience is increasing (from 1m to 3m unique visitors in 2017)
  - Confirmed by observed transfers and polls

# Assessment of unilateral effects

## SOME COMPLEMENTARY RESULTS

- Multi-homing also strongly reduces diversion ratios in regions PACA and IDF
- To assess the importance of multihoming for diversion rates, calculus of market-based diversion ratios excluding multi-homing
  - Diversion ratios towards SL or LBC are much higher
  - But imperfect for analysis as these diversion ratios are based on market shares
- Observed reports also show that :
  - Those agencies ceasing to use SL or LI go to the other party but many of them also go in significant numbers to LBC, Bienlci and other third portals
  - Those agencies not using either SL/LI or LBC and ceasing to use one of the two parties divert in greater numbers to LBC than to the other party

# ESTIMATION OF DIVERSION RATIOS THROUGH A POLL

- Ask SL/LI customers (estate agencies) about their reaction to a price increase or to a portal closure.
- Need to take number of ads/expenditures into account
  - We are not only interested in « participation » but on the extent of « participation »
- Need to take multihoming into account
  - Ask about transfers to « new » portals as opposed to « old » portals so that the respondent has in mind that he multi-homes...
  - And then use these two answers combined with transfers to outside the market to calculate « combined » diversion ratios
- 2309 respondents
  - 2031 use SL, 1711 use LI

## ESTIMATION OF DIVERSION RATIOS THROUGH A POLL - RESULTS

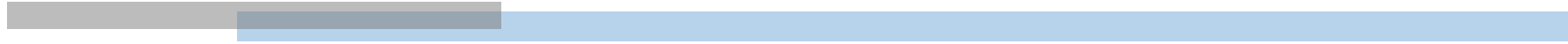


- Transfers beyond the market are relatively high
  - Around 40% of expenses are transferred to outside the market
  - Outside transfers from SL are four times as large as transfers from SL to LI
  - Specially high for those agencies who already use the main portals
- Diversion ratios SL/LI or LI/SL are much higher when there is no multihoming
- 2/3 of the transfers towards portals are made towards portals which are already being used (« old portals »)



# ESTIMATION OF DIVERSION RATIOS THROUGH A POLL

## - RESULTS



- « Combined » diversion ratio from SL to LI : around 10% (LBC: 15%)
- « Combined » diversion ratio from LI to SL : around 12% (LBC:14%)
- Other portals lag behind but overall, they still capture 34% of the transfers from either LI or SL
  - Outside transfers range around 40% in both cases.

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## CONCLUSION ON UNILATERAL EFFECTS

- Diversion ratios based on observed reports and poll-based diversion ratios are low
- Dynamic view of the market tends to show increased competitive pressure upon the merging parties from LBC and Bien' Ici
- Indirect network effects are rather low at this stage of portals development but if anything, they may decrease the incentive to raise prices
  - Lost viewers have a higher chance of going to another portal than the other party