

Merger between platforms: SeLogger/Logic-Immo

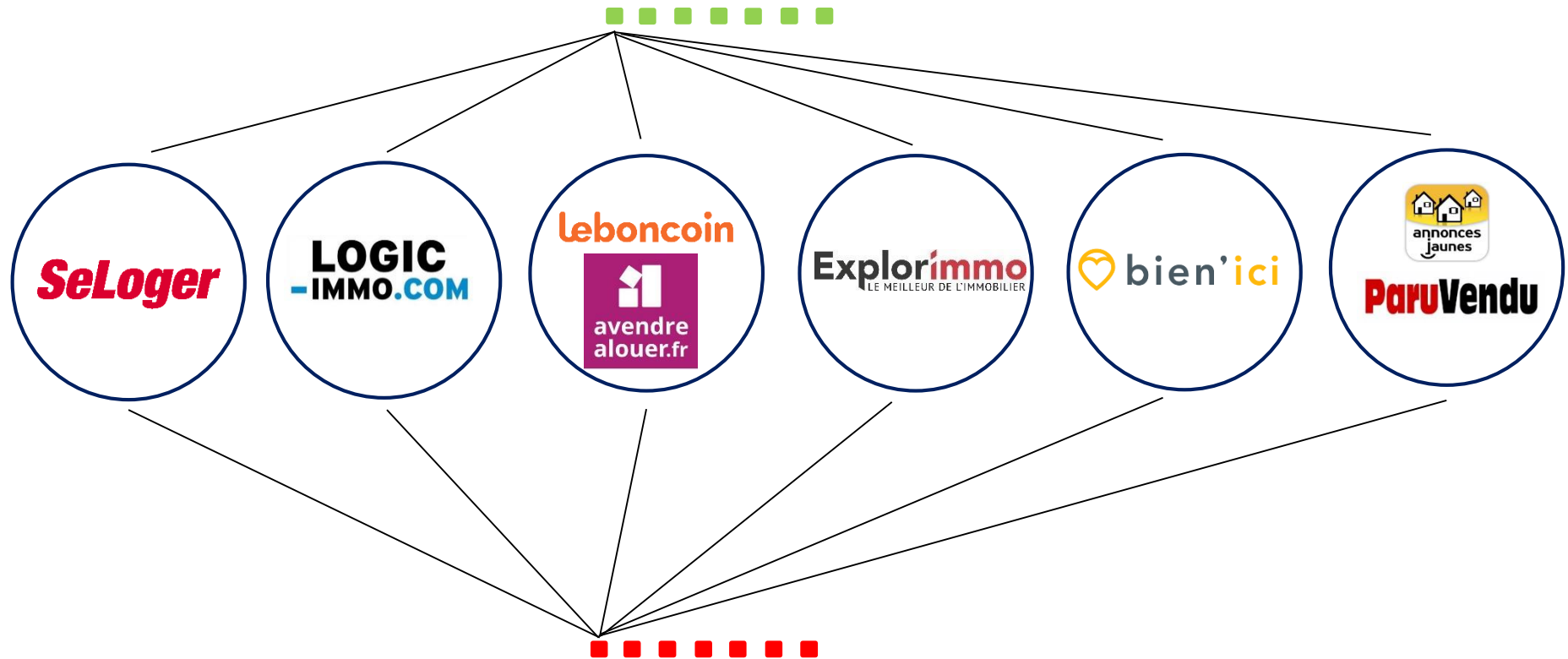
ACE Conference, Bologna,
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CRA Charles River
Associates

Laurent Flochel

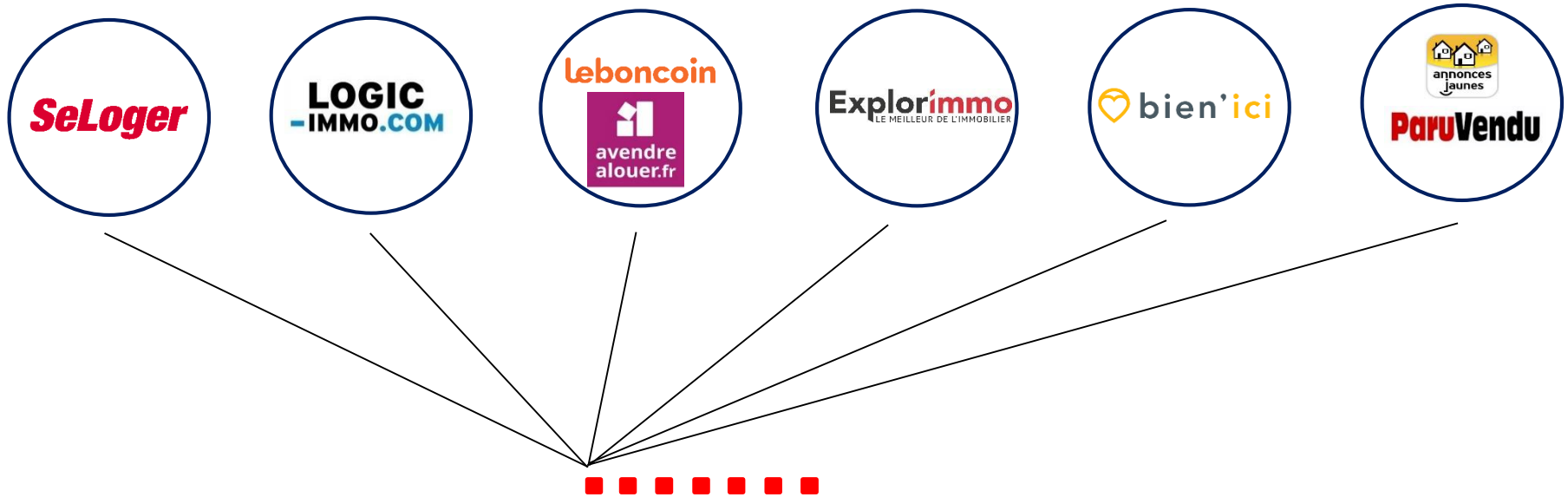
Economic impact of multihoming on both sides of the market

Multi-homing on real-estate agencies side



Multihoming on consumers/viewers side

Economic impact of multihoming on both sides of the market



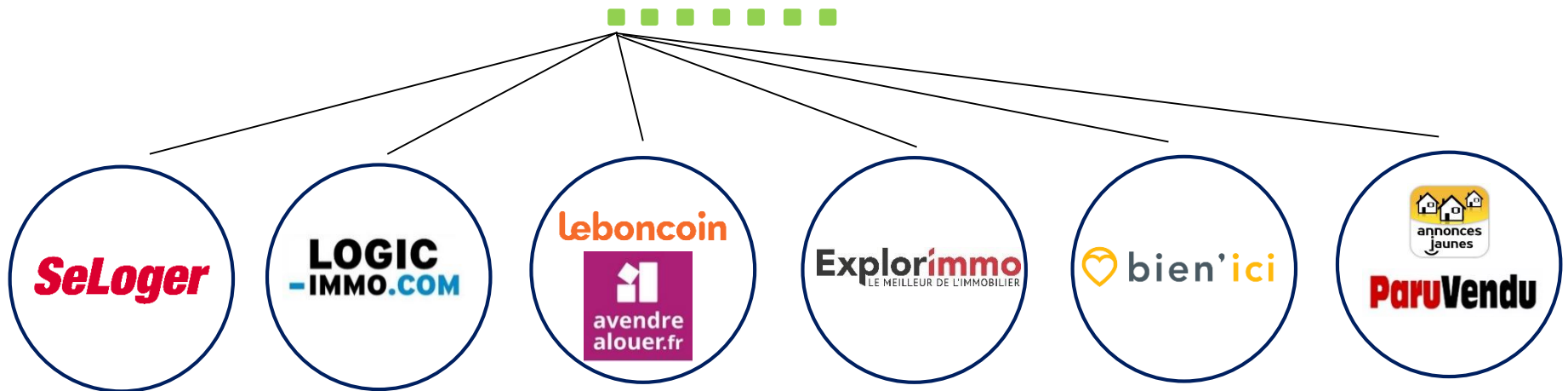
Multi-homing from the consumer's/viewers perspective

- Nearly 50% of **Logic-Immo**'s visitors visit four other real estate portals while 50% of **SeLoger**'s visitors visit three others
- Multi-homing is attractive because of its very low search costs and system of notifications and alerts

Economic impact of multihoming on both sides of the market

- The majority of real estate agencies and advertisers use between **3 and 5 portals** to advertise their properties, and nearly 47% publish their properties to **at least 4 different portals**.
- Portals' maximising visibility is important to attract advertisers
- Encouraged by software permitting listing on many different sites.

Multi-homing from the real estate agents' side



Economic impact of multihoming on both sides of the market

1st implication of multi-homing:

- Several portals can co-exist at competitive equilibrium (no 'winner-takes-all' phenomenon). The consequences of indirect network externalities are limited and there is no 'spiral effect'.
- Indirect network effect: general correlation between audience and number of ads far from perfect
- This explains the relatively large number of existing real-estate portals with different economic models (generalists, specialised in certain sectors, and niche).

⇒ no risk of tipping

Remark: LeBoncoin managed to achieve a critical size when entering the market by using a **contractual bundling** with other portals

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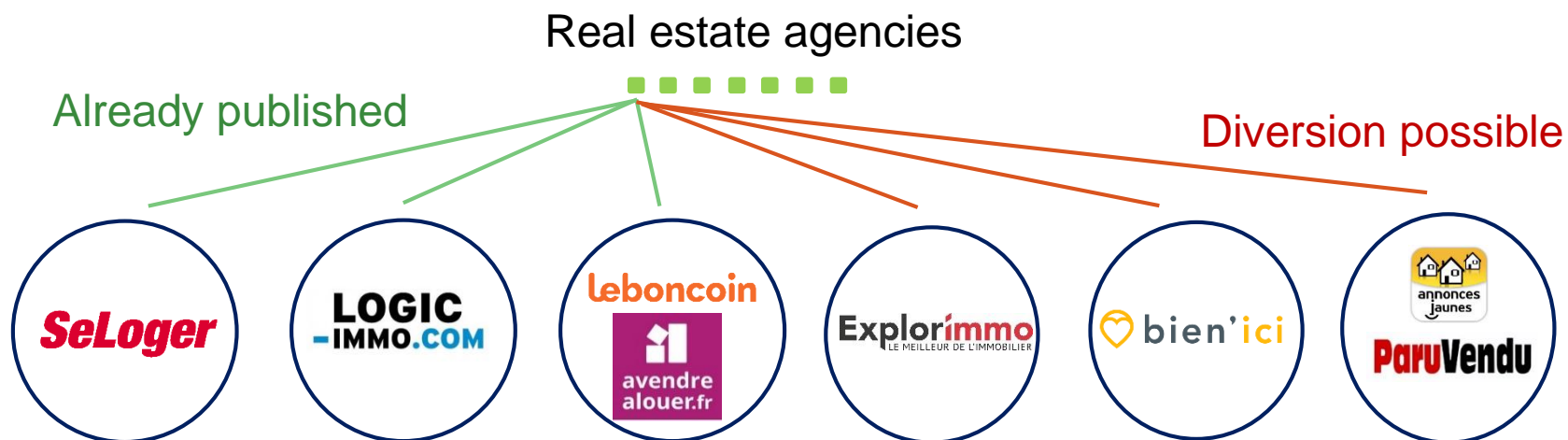
2nd implication of multi-homing:

The fact that advertisers publish their properties on several sites at once has implications for:

- The risk of **unilateral effects** (effects on diversion ratios)
- The risk of **foreclosure** due to potential **bundling rebates**.

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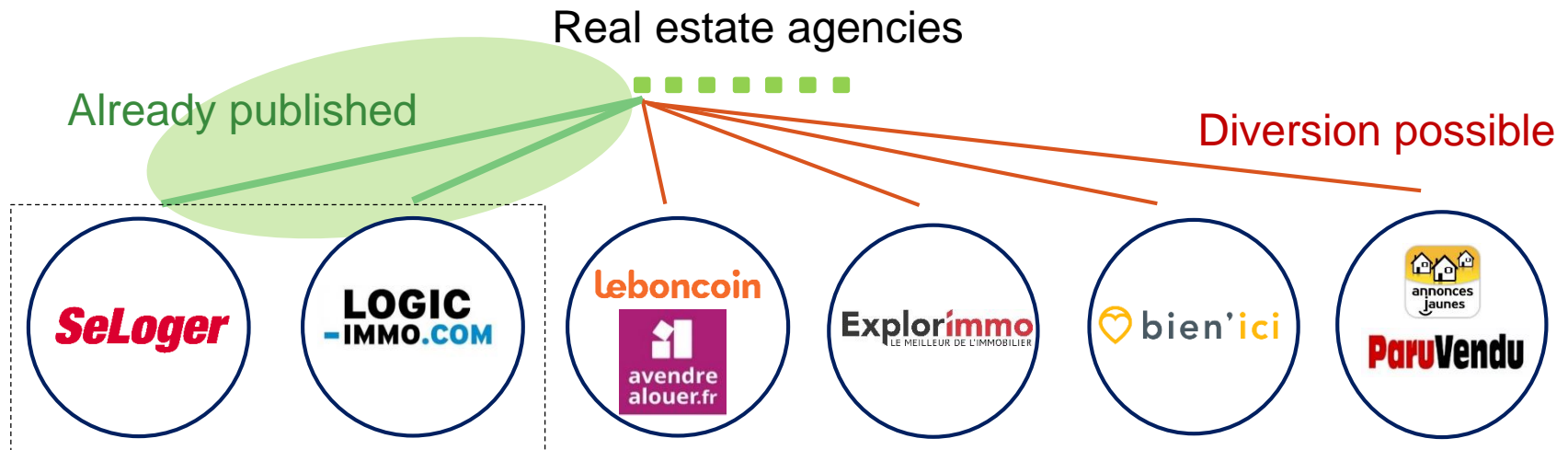
2nd implication of multi-homing: diversion ratios



- Advertisers cannot divert their demand towards a portal where their advertisements are already published
- This has an implication on the diversion of demand towards alternatives in the case of a price increase from SeLoger or Logic-Immo: advertisements already present on both portals cannot be diverted on the other portal

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2nd implication of multi-homing: diversion ratios

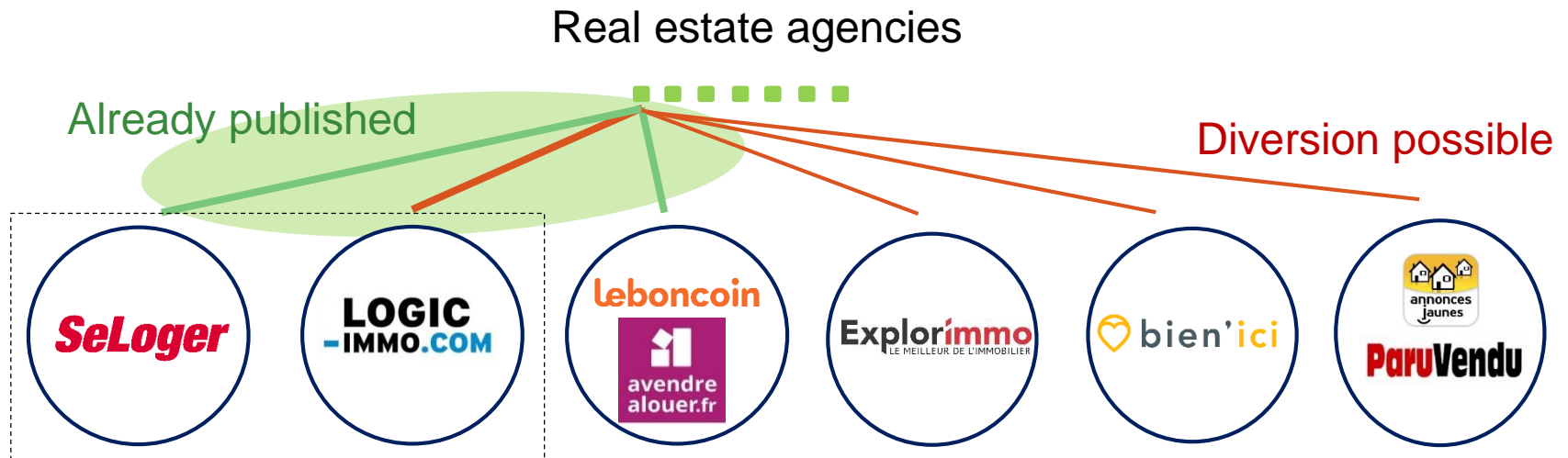


- ✓ Nearly 35% of SeLoger ads are already present on Logic-Immo and
- ✓ More than 40% of Logic-Immo ads are already present on SeLoger

=> Reduces the diversion ratio between the parties and thus the incentive to increase prices post merger

Economic impact of multihoming on both sides of the market

2nd implication of multi-homing: diversion ratios



But: Multihoming between SeLoger and a competitor (eg LeBoncoin) also precludes the diversion toward this competitor (more likely divert to Logic-Immo)

⇒ **Mitigate effect** of multihoming on diversion ratios

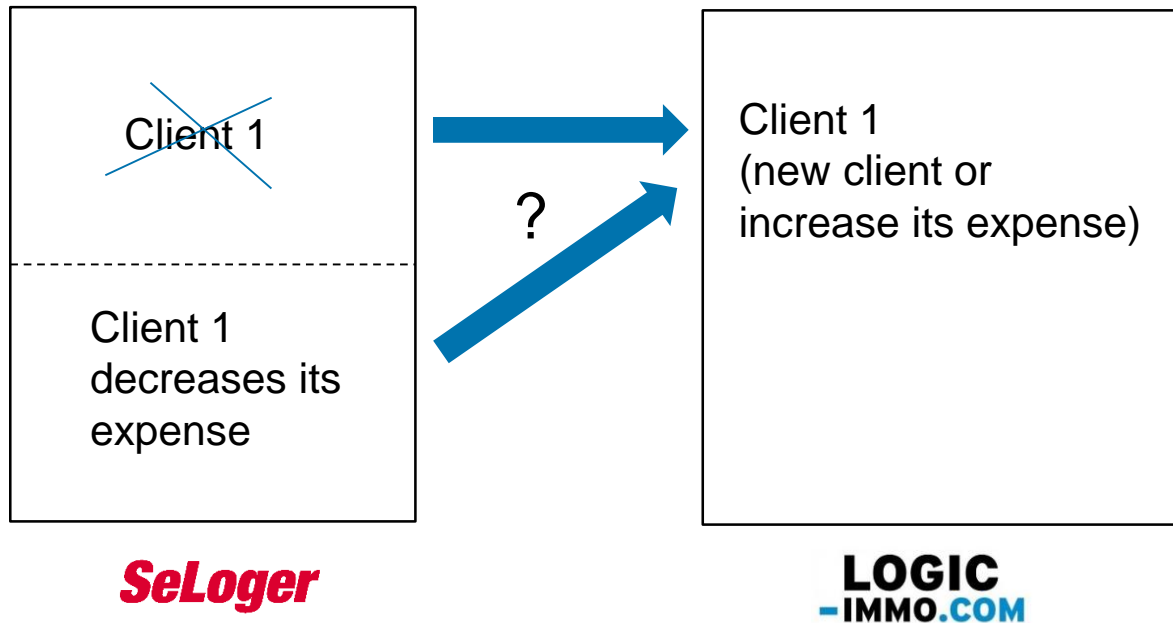
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2nd implication of multi-homing: diversion ratios

- 3 different ways to calculate diversion ratios between the parties:
 1. Parties' contract data (April 2016-June 2017)
 2. Autobiz data (list of ads on each portal – Nov 2016 and June 2017)
 3. Poll administered by the FCA
- All methodologies result in small diversion ratios between the parties (less than 15%)
- These results are true on both a **national** and **regional** level.

Economic impact of multihoming on both sides of the market

Diversion analysis based on the contracts database for both parties

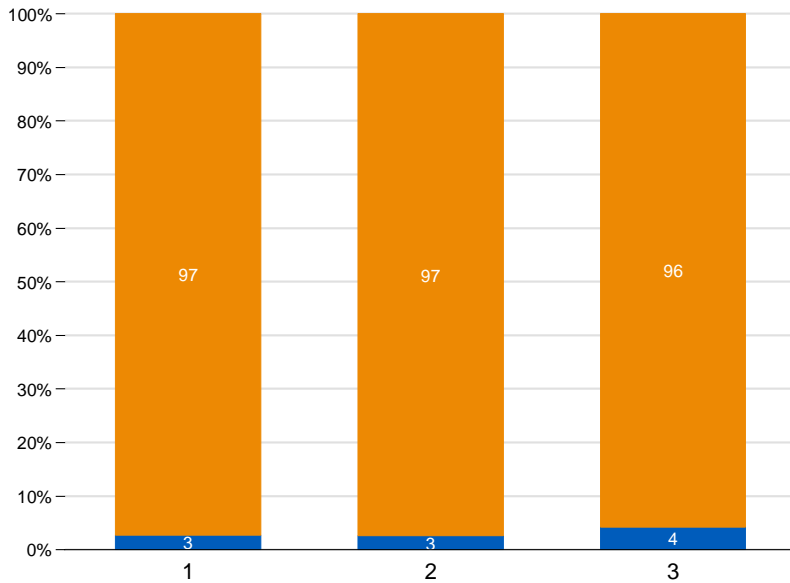


- Monthly database
- Difficult matching exercise
- Done for diversion in both directions

Economic impact of multihoming on both sides of the market

Diversion analysis based on the contracts database for both parties

Diversion SeLoger → Logic-Immo

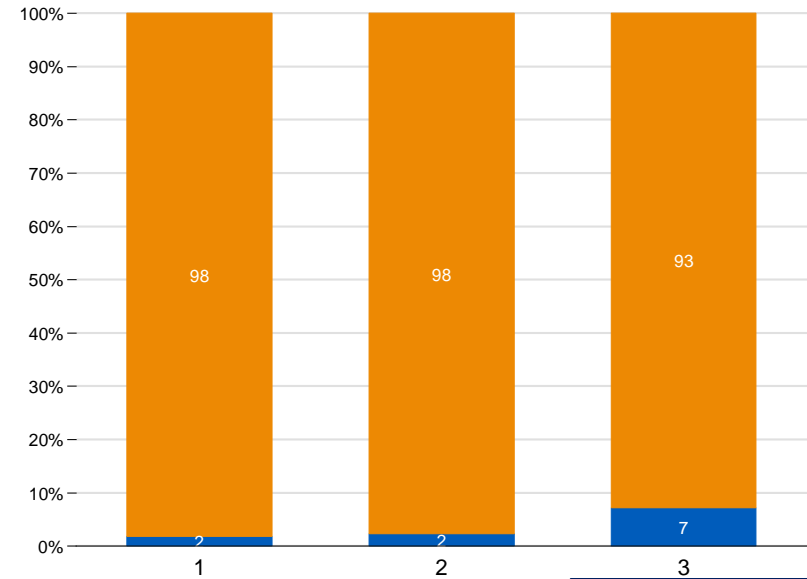


% of clients leaving SeLoger

Among 1, % of clients who became new client of Logic-Immo

Among 1, % of clients who increased their expenses with Logic-Immo by more than 20%

Diversion Logic-Immo → SeLoger



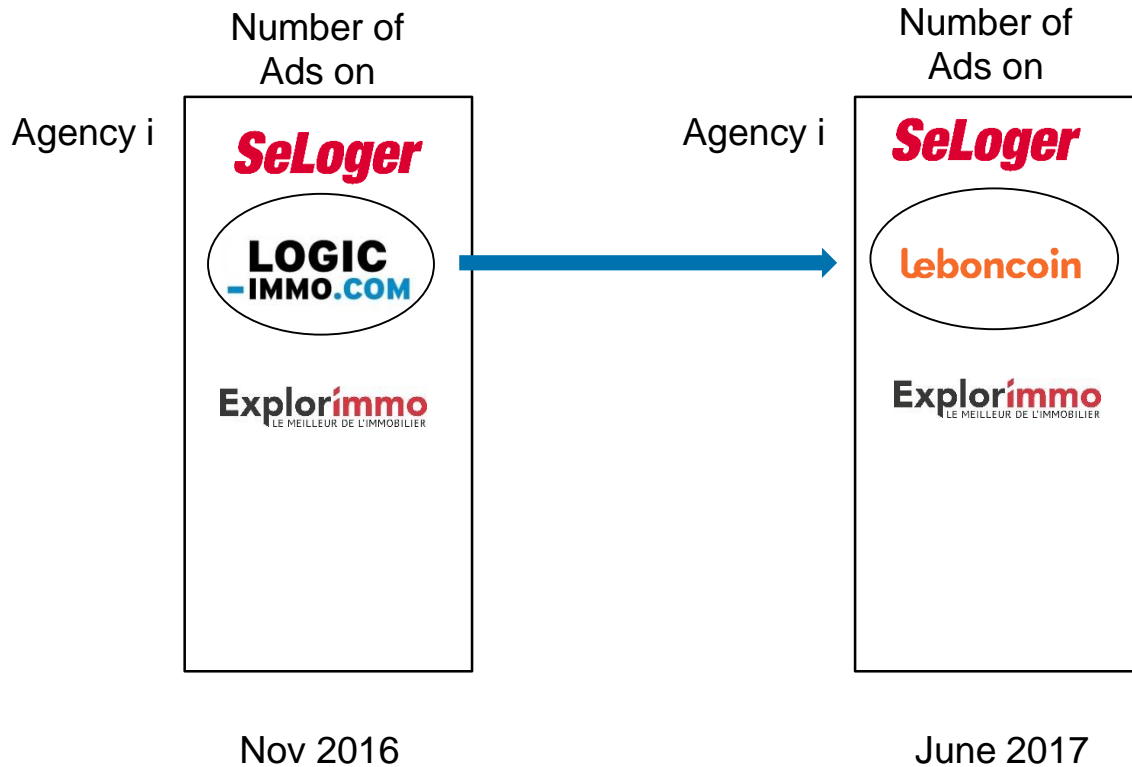
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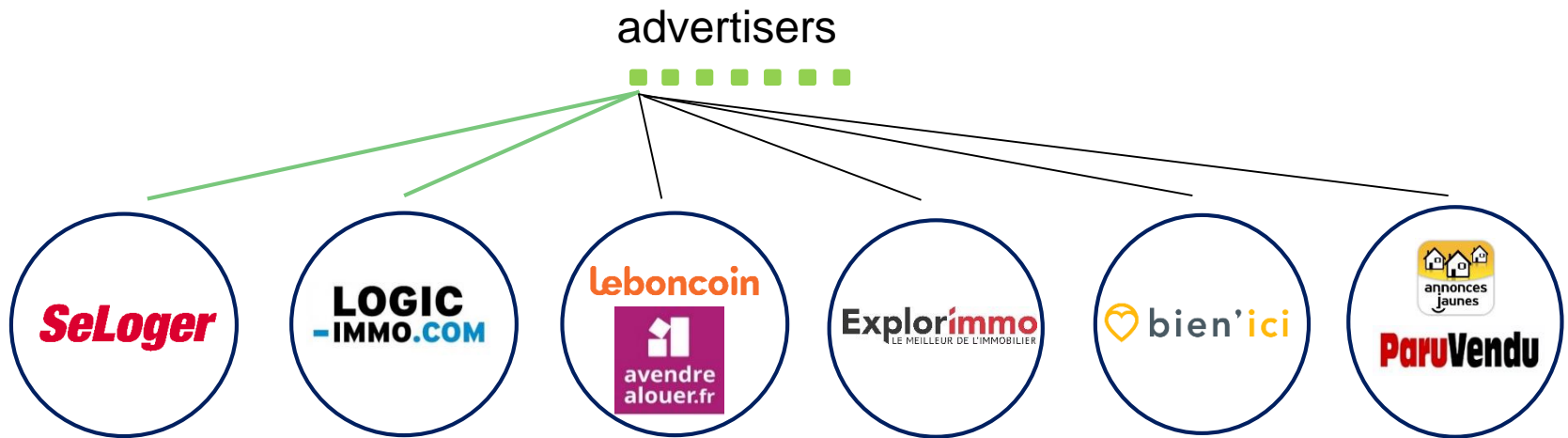
Diversion analysis based on a « scrolling » database (Autobiz)



- Identify agencies who have stopped using one of the party and check which portal they have « substitute »
 - Used to calculate diversion ratios
- ⇒ **small diversion ratios between the parties**

Economic impact of intense multihoming on both sides of the market

2nd implication of multi-homing: bundling discounts



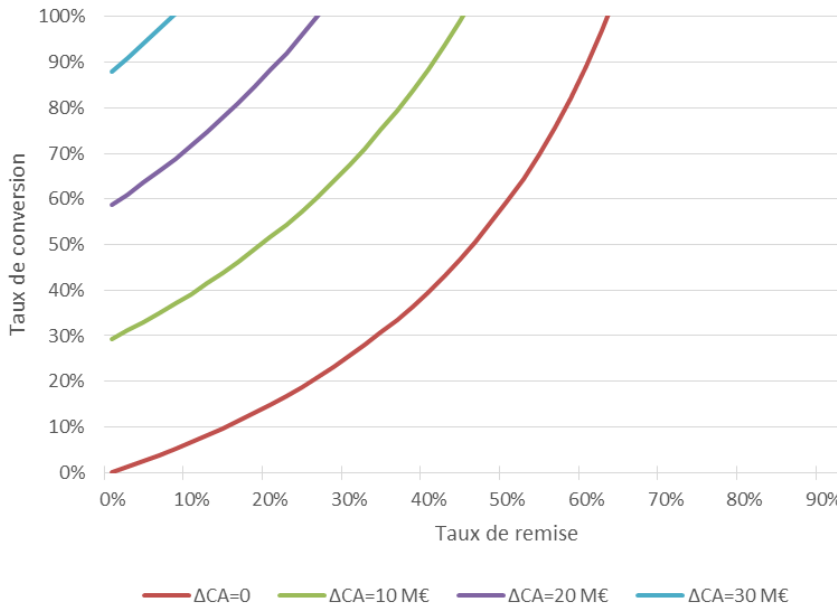
- Discounts costly for SeLoger because it lowers prices for advertisers who already advertise on both portals
 - ✓ Nearly 35% of SeLoger ads are also published on Logic-Immo
 - ✓ More than 40% of Logic-Immo ads are already published on SeLoger
- This greatly limits the risk that SeLoger will offer significant bundling discounts, thus limiting the potential eviction risk.

Economic impact of intense multihoming on both sides of the market

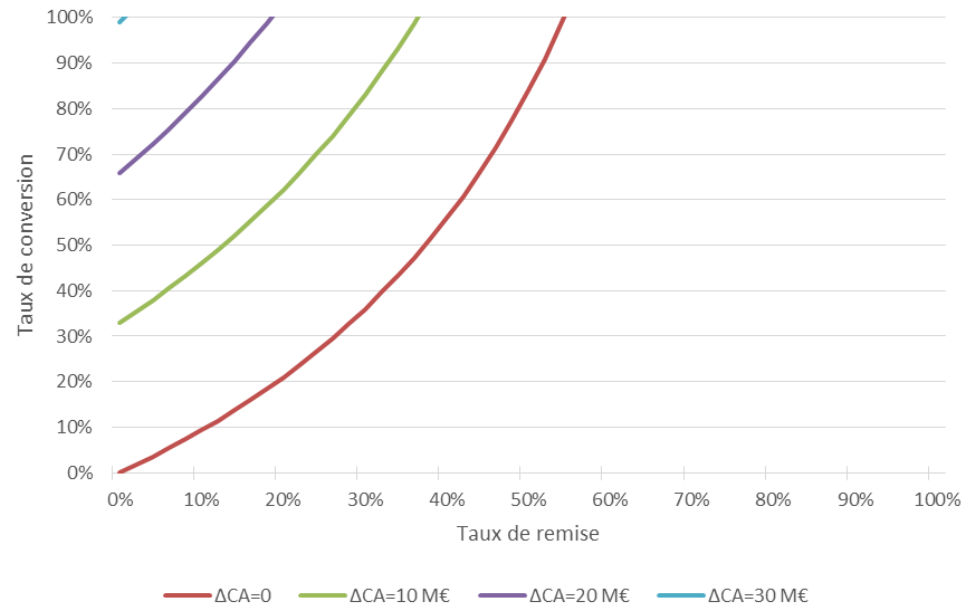
2nd implication of multi-homing: bundling discounts

Minimum conversion rate as a function of the level of the discount

Low scenario of advertisers in overlap between platforms



High scenario of advertisers in overlap between platforms



Source: CRA calculations

Same conclusion: no eviction risk, using 2 different methods (FCA and CRA)