

# St. Martin's Conference 2017

1

## DEALING WITH ON-LINE PLATFORMS

15.11.2017



Bundeskartellamt

Sandro Gleave  
Bundeskartellamt  
6th Decision Division

# Think Tank Internet

2

- 6 people working group within 6th division
- 6th division particularly concerned with internet cases
- In-depth conceptual work for actual cases ongoing during TT-process
- Results laid down in working paper
  - along with **case reports** and **recommendations** for national lawmaker

# List of Topics

3

- Terms and definitions
- Economic views on transaction platforms
- Possibility of a single platform market
- Market with no money flow
- Network effects and economies of scale
  - including “tipping”
- Single homing, multi-homing
- Relevance of market shares
- Innovation and disruption in Internet economy
- Market power and access to data

# Cases

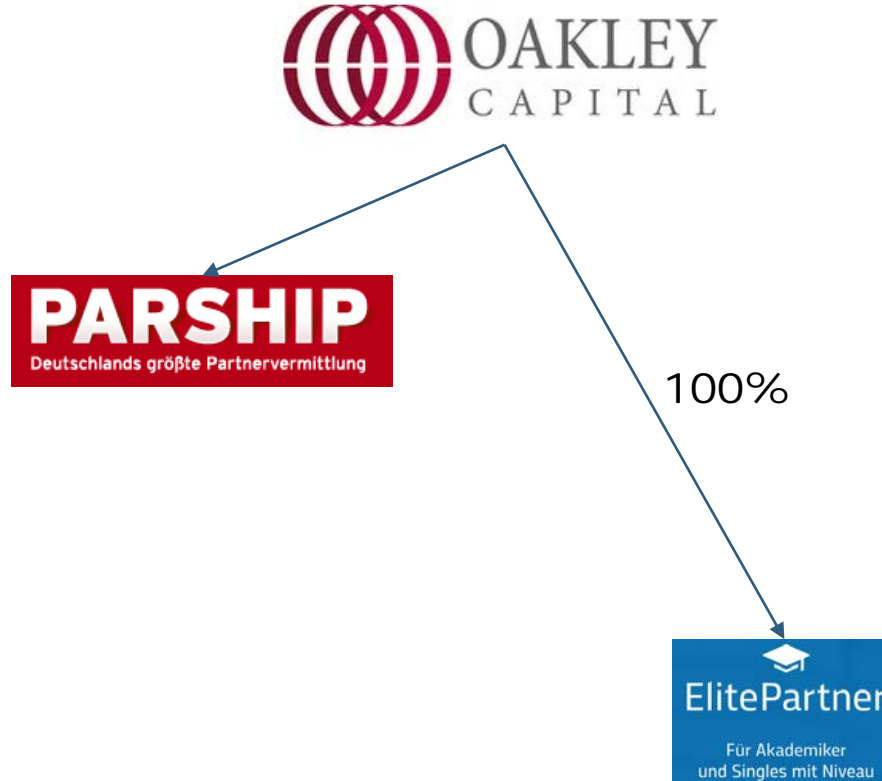
4

- Google/VG Media – abuse case
- Immonet/Immowelt – merger case
- P7S1/Verivox – merger case
- Parship/Elitepartner – merger case
- CTS Eventim/FKP Scorpio – merger case
- Facebook – abuse case ongoing
- CTS Eventim – abuse case ongoing

# Parship/Elitepartner

5

- Merger of two important online dating platforms in Germany



# Self-Presentation

6



The screenshot shows the Parship website interface. At the top right, there is a navigation bar with the text "uk.parship.com" and "Member login". The main content area features a large background image of a smiling man and woman. Overlaid on the left side is a white registration form with a red header. The form contains the Parship logo, a tagline, a registration button, and a privacy notice.

uk.parship.com Member login

**Parship** ♥

Online dating site for serious relationship

Your perfect match is just a click away

I am                      Looking for

a woman               a woman

a man                     a man

[Register now for free](#)

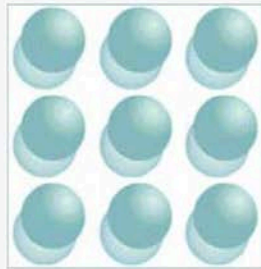
✔ Your data will remain confidential and will not be disclosed to any third parties.

# Personality Test

7



Which arrangement intuitively appeals to you the most?



Continue >

# Competitive Environment

8

## Matchmaking



## Dating



## Casual Dating





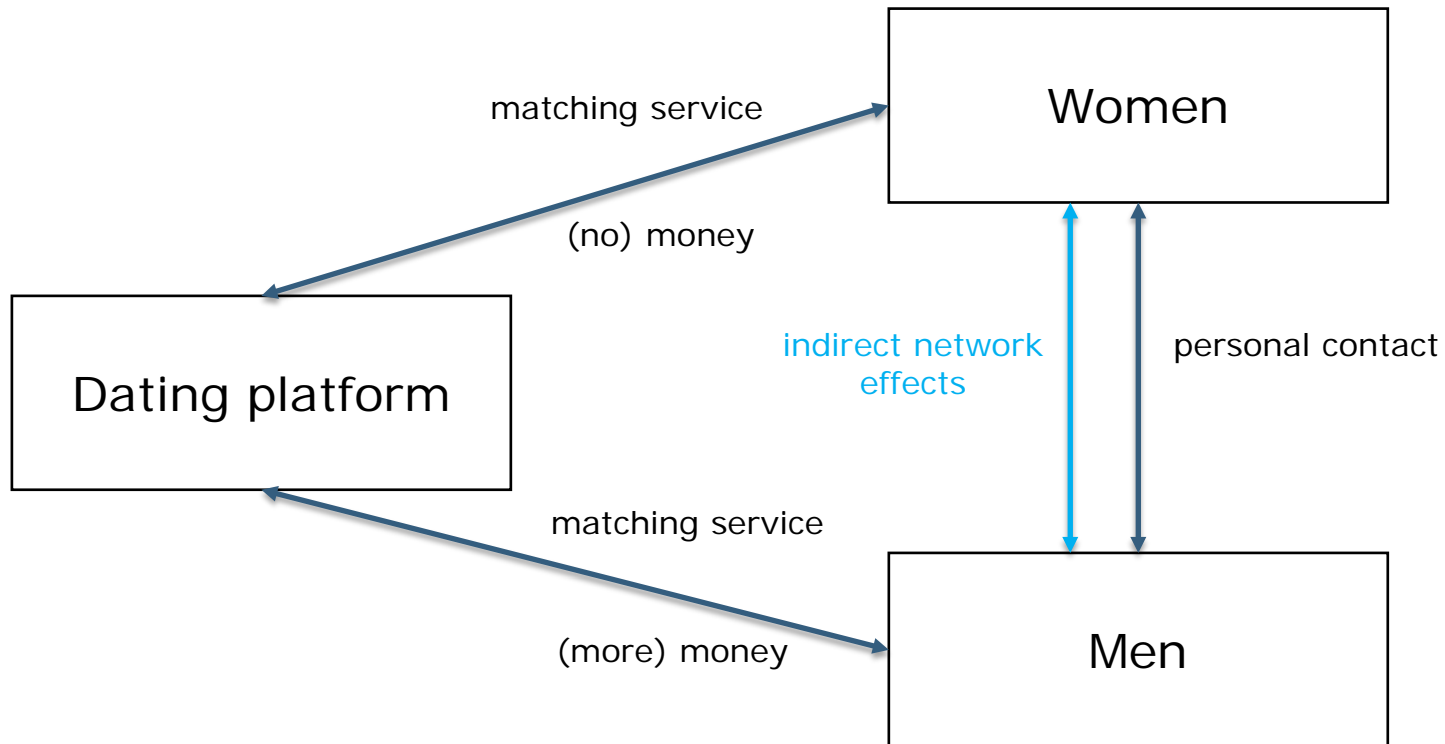
# Platform Concept

9

- Multi-sided market (“platform”) =
  - **Intermediation** service
  - allowing for **direct interaction**
  - between two or more **distinct groups** of users
  - connected by **indirect network effects**

# Matching Platform

10



# Indirect Network Effects

11

- Value of service for one user group depends on number of users of the other group



-> Internalizing strategy to balance group sizes



# Relevant Market

12

- Market includes **both market sides** (matchmaking)
  - Both sides necessary for matchmaking, identical substitutes
- Services that are **free of charge** must be taken into account
  - Ad financing or free of charge start ups are well known business cases in the internet

# Relevant Market

13

- Usage information needed
  - User surveys widely available
  - Parties are able to submit data
- According to survey at least matchmaking and dating belong to the relevant market
  - Demand side: unclear and heterogeneous preferences
  - Multi-homing for consistent purpose

# What is Tipping?

14

- Bilateral self-enforcing indirect network effects
  - Tendency to concentration
- Worst case: leading to monopoly (tipping)
  - More value of platform due to high number of users attracts more users
  - Users increasingly leave competitors
  - Result: competitors exit the market

# Market Shares

15

- **Turnover-based** market shares
  - Parship and ElitePartner are leading platforms having high market shares based on turnover
  - But: Turnover-based market shares neglect the competitive potential of ad-financed and free of charge platforms
- **User-based** market shares
  - Number of users play an important role for Internet businesses
  - User-based market shares of Parship and ElitePartner are lower
  - Mobile Apps such as Tinder have increasingly gained importance with respect to the number of users
  - But: Unclear if a high number of users leads to a sustainable monetarisation of the services
- Therefore: market shares only provide limited indications for competitive assessment

# Market Tipping unlikely

16

- Online Dating: typical counteracting market conditions
  - Large number of dating platforms
  - Heterogeneous preferences and platform differentiation
  - Predominant Multi-Homing behaviour of users
  - Importance of new customers business (no lock-in/installed base)
  - internet dynamics: smartphone apps threaten desktop business models – the entry of tinder.com



# No room for price increases

17

- In theory, price increases are difficult in 2SM
- Additional demand-side aspects:
  - Customers are price-sensitive
  - Customers actively use free of charge platforms (which are not regarded to be less successful in matching)
- Additional demand-side aspects:
  - Substantial competition in innovation by mobile apps such as Tinder
  - Mobile apps are based on quick responses and location services
  - Business model of web-based dating platforms is under competitive pressure by mobile apps

# Low barriers to entry

18

- In theory, barriers to entry are higher on 2SM because two sides must be brought on board
- Online Dating: counteracting factors must be regarded
  - Platform differentiation
  - **Internet-based marketing: Viral Marketing** / word-of-mouth marketing /marketing in social networks
  - Small user base may be sufficient for a regional roll-out

# Assessment

19

- High market shares based on turnover
- Online Dating is a multi-sided market with indirect network effects
- But: counteracting market conditions
- Result: significant impediment of effective competition not to be expected

# Amendment to Competition Law

20

- In 2017 amendment to Competition Law
- Including TT recommendations:
  - Consideration of markets even when services are free of charge
  - Additional criteria for assessment of dominance in platform markets
  - Transaction value as an additional threshold for mergers

# St. Martin's Conference 2017

---

**Thanks for your attention!**

15.11.2017



Bundeskartellamt

Sandro Gleave  
Bundeskartellamt  
6th Decision Division