

18 February 2020

**By email:** [mergerauthorisations@acc.gov.au](mailto:mergerauthorisations@acc.gov.au)

Australian Competition and Consumer Commission  
Level 17, 2 Lonsdale Street, Melbourne  
VIC 3000

Dear Mr Byrne and Ms Cramond,

**Re: Request for submissions: application for authorisation by Gumtree AU Pty Ltd – proposed acquisition of Cox Media**

Thank you for your letter dated 17 January 2020 in relation to Gumtree AU Pty Ltd's application for authorisation of its proposed acquisition of 100% of the share capital in Cox Australia Media Solutions Pty Ltd (the **Proposed Acquisition**) (**Application**). REA Group Ltd (**REA**) welcomes the opportunity to comment on the Application.

REA understands that the ACCC has posed several questions relating to automotive classified advertising. REA is unable to comment on this aspect of the Application, as it relates to markets in which REA is not active. However, REA wishes to make a number of general comments which it hopes are useful to the ACCC, given its position as:

- the operator of a digital platform;
- a supplier of space for display advertising; and
- a participant in a market that faces potential disruption from data-driven classified advertising platforms in adjacent markets, in particular where those platforms are combined with broader global businesses, such as eBay/Gumtree.

REA urges the ACCC to carefully consider the competitive effects of the Proposed Acquisition, including on the basis of the matters set out in the enclosed submission.

We would be very happy to take any opportunity to meet with you and other representatives of the ACCC to discuss the Application and this submission, should you consider that would be useful.

Yours sincerely



**Sarah Turner**

General Counsel & Company Secretary  
REA Group Limited

# **REA Group Limited**

**Submission to ACCC regarding application for authorisation by  
Gumtree AU Pty Ltd**

18 February 2020

## Executive Summary

This is a submission on behalf of REA Group Limited (**REA**) regarding the application for authorisation (the **Application**) lodged by Gumtree AU Pty Ltd (**Gumtree**) on 14 January 2020. Where not otherwise defined, capitalised terms in this submission have the meaning as set out in the Application.

The Application relates to the proposed acquisition by Gumtree of 100% of the shares in Cox Media Cox Australia Media Solutions Pty Ltd (**Cox Media**) (the **Proposed Acquisition**). Gumtree operates the multiple category classified advertising platform gumtree.com.au. Gumtree is owned by eBay Inc. (**eBay**). Cox Media operates automotive only platforms GarsGuide and Autotrader (**CarsGuide/Autotrader**). Both Gumtree's and Cox Media's platforms also supply space on websites and mobile applications to third parties for display advertising.

REA has concerns regarding the Application, for the following reasons:

- (i) **The Application understates the strong market power of the combined eBay/Gumtree group companies.** Acquired by eBay in 2005, Gumtree may leverage eBay's global expertise in peer-to-peer and commercial classified listings, its financial strength and global user database to better target display advertising to users, making Gumtree a more attractive option for potential listing and display advertisers.
- (ii) **Following the Proposed Acquisition, Gumtree will be more readily able to leverage its user data collected in adjacent markets.** With the benefit of eBay's unmatched user base and access to user data, Gumtree will be well placed to entrench its market position in ecommerce by foreclosing competition from more specialised, local platforms and other digital businesses in adjacent markets.
- (iii) **Gumtree and the Cox Media websites compete closely, despite assertions to the contrary in the Application.** Gumtree's ambition to become the leader in dealer listings is well known, with dealer listings already a significant proportion of their entire automotive business – an estimated third to half of all listings being placed by dealers.<sup>1</sup> Additionally, the Proposed Acquisition risks removing CarsGuide from the market, a local platform that competes on the basis of product and service innovations and value-adds.
- (iv) **The market definition proposed in the Application may require more rigorous assessment.** In REA's experience, digital listings markets exhibit regional differences in brand strength and competitive position, a nuance that is not reflected in the Application. Separately, although dealers and private sellers are distinct advertiser segments, they both place listings on the same platform for the same broad group of consumers. All automotive listing platforms are active in respect of both segments. Accordingly, such a narrow market definition may be inappropriate in this instance, given the market dynamics.
- (v) **Market share data of the Parties vis-a-vis Carsales and other competitors in the relevant markets should be treated with caution.** In digital two-sided markets, where network effects are common, market share considered in isolation is an incomplete indicator of competitive position. It should be considered in combination with other direct evidence such as competitive constraint and entry. When considering market share data, listings or inventory volume, where accurate, are likely to be more reliable metrics than revenue.

## Confidentiality

Portions of this document that have been highlighted in red and are preceded by the word "**CONFIDENTIAL TO REA:**" contain confidential and commercially sensitive information. This information must not be disclosed to any third party without the express written consent of REA. REA consents to the disclosure of confidential information to: (i) the Australian Competition and Consumer Commission's (ACCC's) external advisors and consultants on a confidential basis; (ii) if the ACCC is compelled to do so

<sup>1</sup> See <https://premium.goauto.com.au/gumtree-cars-helping-dealers-to-make-sales/>

by law; or (iii) otherwise in accordance with section 155AAA of the Competition and Consumer Act 2010 (CCA).

REA notes that certain of the information over which confidentiality has been claimed is data provided to REA by third parties on a confidential basis.

## Overview of REA's business

REA is a Melbourne-based, multinational digital advertising company specialising in property. REA's core business involves advertising properties on behalf of agents and providing a platform for property seekers to search for properties by reference to criteria such as listing type (e.g. sale or rent), property type (e.g. house, apartment, land etc), location and features.

In Australia, REA operates (among other things) the residential property website [www.realestate.com.au](http://www.realestate.com.au), the commercial property website [www.realcommercial.com.au](http://www.realcommercial.com.au), the share accommodation website [www.flatmates.com.au](http://www.flatmates.com.au), as well as equivalent mobile sites and mobile device and watch apps for iOS and Android operating systems (together, the **REA platform**). The REA platform is an online portal for property listings and associated information. REA currently deals with approximately 10,000 agent offices (comprising approximately 30,000 individual agents) across Australia.

Most of REA's revenue in Australia is derived from:

- agents and developers that advertise residential and commercial properties on REA's platform ([CONFIDENTIAL TO REA]); and
- other advertisers – for example banks, insurance companies and furniture retailers – that promote their goods and services to users of REA's platform through display advertising and other forms of promotion.

As with other digital property advertising platforms, the value of REA's platform is in its ability to provide exposure for properties for sale or rent by agents. As such, measures of "audience" – in other words, the number of people using the platform to search for, enquire about, and ultimately buy or rent property – are key indicators of the effectiveness of REA's platform and the value it provides to agents. Put simply, the greater the number of property seekers who use REA's platform, the greater the number of agents that are likely to want to advertise their properties with REA.

## 1. Application understates the strong market power of the combined eBay/Gumtree group companies

### 1.1. Gumtree is the beneficiary of eBay's market power and financial strength

The Application understates the significant market power of Gumtree as part of the eBay group of companies. To the extent that Gumtree has been operated and managed separately from the global eBay group, this is a separate issue to the advantages that Gumtree may obtain via eBay's resources and user database.

REA currently competes against eBay/Gumtree in relation to digital property listings, and regards the group companies as a formidable competitive threat, particularly in relation to rental and share accommodation listings. Gumtree offers online property listings in a number of categories, including flat-share and house-share, property for rent and sale, packing and storage, office space and commercial, room-share, short-term and land for sale. Listings can be posted and searched for free and can include photos and/or links to other websites. As at February 2020 there were over 38,000 advertisements listed within the 'Real Estate' section on [Gumtree.com.au](http://Gumtree.com.au).<sup>2</sup>

There is little doubt that the major data driven global platforms, including eBay, are dominant and have the freedom to act without effective constraint in the markets in which they operate. Their market power derives in large part from their user bases, the extent of their users' engagement and the wealth of user data this engagement generates. The data to which such global platforms have access, coupled with their ability to process it in close to real-time, provides a powerful competitive advantage that cannot be replicated by more specialised platforms or potential new entrants. It allows these platforms to develop detailed and accurate profiles of their users and market segments to tailor products and services and to better target advertising.

<sup>2</sup> *Real Estate*, Gumtree (13 February 2020) < <https://www.gumtree.com.au/s-real-estate/c9296> >

Although REA has not interrogated the data regarding the supposed decline of Gumtree's automotive business as asserted in the Application, REA cannot conceive why any decline would necessarily continue nor why it could not be remedied by eBay/Gumtree making more focused marketing, product and sales investment in the Australian market. The nature and scope of eBay/Gumtree's global business gives it an ability that is unrivalled by any Australian listings business to invest in innovation and deploy new technologies and product improvements on a global scale, and to weather short term losses while building audience, brand and listings. The suggestion that Gumtree can only further improve its product and service offerings and grow its audience and listings via acquisition seems highly questionable.

Furthermore, the drop in audience numbers on Gumtree's website referred to in the Application may not reflect a net drop in audience numbers across Gumtree's entire platform. REA has observed through its own business that audience numbers across the REA platform can shift towards some elements of the platform while shifting away from others. For example, a drop in audience numbers on Gumtree's website may be accompanied by a corresponding, or possibly even larger, increase in audience numbers on the Gumtree app or mobile site.

The ACCC should not be concerned by platforms achieving or maintaining scale solely through innovation and improving its product and services offering. REA also recognises that disruption itself can be pro-competitive and enhance consumer welfare. Where REA has concerns is in relation to global platforms acquiring specialised platforms that otherwise compete effectively through their product and services offering, and innovation.

### **1.2. As part of a global platform, Gumtree enjoys distinct advantages over local specified listings platforms**

Despite some similarities, there are fundamental differences in the ways global platforms such as eBay/Gumtree operate, and the way specialised digital platforms operate, including in relation to the following:

- **The geographic dimensions of many listing markets (such as property and automotive) tend to be relatively confined.** As a consequence, specialised platforms have a more regional character and user bases may fluctuate across regions.
- **At a functional level, purchasing decisions on specialised listing platforms such as property and automotive platforms tend to be made relatively infrequently.** For example, the average period of home ownership in Australia is 11 years.<sup>3</sup> The average Australian holds onto their car for between 9 and 12 years.<sup>4</sup> This has the result of sporadic and fragmented engagement with customers, when compared with engagement on eBay which may be accessed every time a consumer wishes to purchase or sell a product.
- **The narrower focus of specialised platforms also has an impact on the breadth of the user data generated.** For example, the bulk of the user data generated on REA's platform is linked to the parameters of property searches. REA would not have access to the breadth of user data about life events and general preferences that eBay/Gumtree has. Such breadth of data is essential in the ability to offer narrowed targeting services to potential classified advertisers and display advertisers.

### **1.3. Being part of the eBay group of companies provides Gumtree with a competitive advantage in attracting advertisers**

As one of the largest global platforms, eBay (and therefore Gumtree) enjoys a breadth and value of user data that no other listings business in Australia has access to. eBay claims to have 180 million active

<sup>3</sup> This figure is based on data obtained from CoreLogic.

<sup>4</sup> See <https://www.finder.com.au/car-statistics>

buyers on its global platform. eBay/Gumtree can use data regarding user preferences and behaviours from these 180 million users to refine its user interface and to target and personalise advertising and product recommendations. This is a powerful competitive advantage that cannot be readily replicated by more specialised local platforms.

REA has observed through its own business that the most useful function performed by the supplier of display advertising space is the ability to offer targeted advertising to particular audience demographics and geographies. In the case of digital property advertising, the listings contain some data in relation to rough geographic location. However, other demographic data about particular users of the site is hard to collect and target.

The Application makes references in several sections to comments made in REA's submission to the ACCC's Digital Platforms Inquiry regarding the data advantages of Google and Facebook in the context of display advertising.<sup>5</sup> However, in many respects, those same data advantages are available to eBay/Gumtree.

For example, as set out in the Application, "display advertising on [Google and Facebook's] sites covers a full spectrum of goods and services and is not restricted to automotive-related advertising".<sup>6</sup> The same could be said about Gumtree, a platform that attracts display advertising spend from advertisers across its broad range of listing sub-sites, including cars & vehicles, home & garden, jobs, real estate, services for hire and more. Gumtree, one of Australia's biggest classifieds platforms, has more than 2.5 million listings across hundreds of categories, with 85,000 new ads posted every day attracting seven million visitors each month.<sup>7</sup>

The Application also sets out how display advertising has changed in recent years to focus on targeting specific users with particular needs and use-cases, rather than a particular website.<sup>8</sup> Again, this trend towards more targeted display advertising is well suited to Gumtree, which enjoys the global user database of parent eBay. Much like Google and Facebook, Gumtree's "ability to target display advertising as a user, based on its access to this data, makes it a more attractive and effective option for advertisers".<sup>9</sup> To this end, Gumtree has invested heavily in data and automation, implementing a data management platform in 2018 to enable first-party data analytics across its business. Gumtree also undertakes an annual survey of 10,000 respondents.<sup>10</sup>

Gumtree's Head of Marketing Amanda Behre explained in an interview with CMO.com how Gumtree drives its existing customer base to its automotive business, and can accurately predict when a visitor may be looking for a vehicle purchase: "we know quite a bit about our audiences and how they can engage with us in different ways. We have a lot of SMBs, as well as families seeking baby products, so with cars, there's opportunity to engage with them with a category like SUVs as well".<sup>11</sup> Gumtree's Head of Media, Laura Hill, added, "A lot of people using Gumtree are tradies or small business owners, and that is a huge audience for the finance sector. Identifying small business users from the general population is a very hard thing to do online, but with our jobs category and our services category, and the fact that they list their ABN, that allows us to identify those people as small business owners".<sup>12</sup> For example, to display advertisers wishing to target tradies in need of a new work vehicle, Gumtree offers a unique competitive advantage in the supply of display advertising space on its platform.

The advantages that Gumtree enjoys by virtue of being part of the eBay group arise both from the size of eBay's global user base to the associated datasets it can collect, and its ability to invest in sophisticated AI technology and exploit that data on a global scale. This should not be understated in the ACCC's

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<sup>5</sup> The Application, page 78, 100-101.

<sup>6</sup> The Application, page 78

<sup>7</sup> See <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>

<sup>8</sup> The Application, page 78

<sup>9</sup> The Application, page 101 (said in relation to Facebook).

<sup>10</sup> See <https://www.cmo.com.au/article/658682/why-gumtree-has-built-programmatic-advertising-approach/>

<sup>11</sup> See <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>

<sup>12</sup> See <https://www.cmo.com.au/article/658682/why-gumtree-has-built-programmatic-advertising-approach/>



consideration of the Application.

## **2. Following the Proposed Acquisition, Gumtree will be more readily able to leverage user data in adjacent markets**

Despite the dynamic characteristics of many digital listings markets, the dominance of global platforms such as Facebook, Google, eBay and Amazon has proven to be durable, self-perpetuating and readily able to be leveraged into adjacent markets. eBay/Gumtree will be uniquely positioned following the Proposed Acquisition to foreclose competition from more specialised, local platforms and other digital businesses in adjacent markets to the automotive classified markets.

Global platforms such as eBay have unparalleled visibility of the preferences, spending habits, needs and locations of hundreds of millions of individual users, including via its popular loyalty program eBay Plus. eBay collects data from sales by its vendors on the eBay platform as well as tracking what shoppers search for and cannot find, which products a shopper views repeatedly and how shoppers respond to discounts and promotions.

This data can be used by Gumtree to:

- entrench its dominance in ecommerce;
- identify high value product segments and purchasing decisions;
- enhance user experience;
- deliver more precisely targeted purchasing suggestions;
- more effectively promote its own products and services; and
- deliver more targeted advertising opportunities for both classified and display advertisers.

eBay's financial resources, large established user base, control of broad data sets and ability to disrupt traditional business models make it a formidable competitor not just in relation to automotive classified advertising, but in adjacent markets. In particular, REA is of the view that eBay:

- has market power in its relevant spheres;
- could use its market power to favour its related businesses (including Gumtree), and discriminate against others;
- could use its market power to foreclose competitors in markets for the supply of specialised services, such as automotive classified advertising services, by leveraging its relatively large databases; and
- could foreclose competitors in markets that are adjacent to the ones its related businesses such as Gumtree currently operate in.

eBay's/Gumtree's dominance makes it uniquely positioned to enter, and expand its presence in, markets adjacent to the automotive listings markets and to foreclose competition in these markets. eBay/Gumtree has the ability to foreclose competition from more specialised local platforms by leveraging its ability or build detailed, real-time user profiles and target services, and its unparalleled user base to communicate with large numbers of users. Over time this has the potential to result in a loss of competitive tension in adjacent markets/segments, as well as having a negative impact on consumer welfare and the broader Australian economy.

To the extent that eBay/Gumtree chooses to focus on other specific classified offerings, the detailed, real-time user profiles that they generate will be an extremely powerful tool to enable them to precisely target particular users and market segments with listings and display advertisements for associated services.

Entry by global platforms such as eBay into adjacent markets via "bolt on" acquisitions is often not problematic as long as they don't reinforce or entrench a monopoly in the relevant or adjacent markets.



However, expansions that could otherwise be achieved organically, particularly with the benefit of the resources and user data that accompanies being part of a global platform, may raise concerns to the extent that they remove vigorous competitors that compete on the basis of innovation and improved product and service offering. REA considers that the market power of global platforms such as eBay require careful and continued monitoring by the ACCC.

### **3. Gumtree and Cox Media businesses compete closely**

The Application significantly understates the degree of close competition between the Gumtree and CarsGuide/Autotrader platforms. The claim that the Parties “compete primarily in separate markets and have different business models”,<sup>13</sup> is not credible.

#### **3.1. Both parties compete vigorously in relation to dealer listings**

It cannot accurately be said that it is only CarsGuide/Autotrader that are predominantly focused on dealer classified advertising. The claim that “Gumtree focuses on the Private Advertising Market”<sup>14</sup> is not supported by the following:

- Gumtree’s dealer listings are a significant part of their entire automotive listings business. Gumtree Australia General Manager Martin Herbst estimated in 2019 that dealers represent “more than a third to roughly half” of the 150,000 vehicle listing on the platform.<sup>15</sup>
- The degree of overlap of dealers between the Parties’ platforms, with around 40% of dealers on Gumtree also listing on CarsGuide/Autotrader, and around 37% of dealers on CarsGuide/Autotrader also listing on Gumtree, indicating a significant degree of substitutability in relation to dealer listings.
- Gumtree’s big ambitions for its automotive business are well known, in particular in relation to its goal to become the leader in dealer listings. In April 2019, Gumtree’s Head of Marketing Amanda Behre said that as of that time, Gumtree Cars contains over 150,000 automotive listings, with 6,000 cars listed every day. Ms Behre outlined Gumtree’s strategy to build its automotive listing business, which is based around driving next-best usage occasions within existing audiences. “This is why the cars market is so important to us. We are already strong in other spaces, and we see lots of opportunity to get audiences engaging in another category”, she said.<sup>16</sup>
- The appointment of Head of Motors Richard Dicello in June 2019, in a newly created role. Mr Dicello is responsible for continuing to grow the business’ automotive vertical, including by partnering with national and local dealerships.<sup>17</sup> Around 1,800 dealers currently subscribe to Gumtree Cars, close to the 2,300 that subscribe to Autotrader.<sup>18</sup>

#### **3.2. Differences in business model have no impact on closeness of competition**

The various similarities and differences between the business models of the Parties’ may explain the ways in which the two platforms compete but it cannot explain away the undeniably close degree of competition. Insofar as Gumtree classifies its platform as a “horizontal” one and Cox Media classifies its platforms as “vertical” ones, this does not correspond to different spheres of competitive activity. Business model taxonomy should have no bearing on the ACCC’s analysis, particularly when taken in the broader market context in which Gumtree and CarsGuide/Autotrader compete vigorously.

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<sup>13</sup> The Application, page 10

<sup>14</sup> The Application, page 10

<sup>15</sup> See <https://premium.goauto.com.au/gumtree-cars-helping-dealers-to-make-sales/>

<sup>16</sup> See <https://www.cmo.com.au/article/659396/how-gumtree-plans-being-number-one-motors-marketplace-australia/>

<sup>17</sup> See <https://premium.goauto.com.au/gumtree-cars-appoints-new-head-of-motors/>

<sup>18</sup> See <https://premium.goauto.com.au/cox-sells-oz-websites-to-ebay/>

### **3.3. CarsGuide competes on the basis of product and services innovation and value-adds**

In contrast to Gumtree, CarsGuide is well recognised for competing on the basis of innovative ancillary products and services. Where Gumtree offers a simple classified listing platform, CarsGuide also competes on the basis of innovations that improve the customer experience, including:

- a car comparison tool;
- a pricing tool for used cars;
- an up to date register of vehicle recalls;
- vehicle reviews and car expert's picks on the top models in particular categories;
- news on latest occurrences and developments in the industry, motor shows;
- a series of guides tailored to particular consumers (including a family car guide, tradie car guide, outdoors car guide, and urban car guide);
- other editorials and advice pieces;
- a blog, OverSteer; and
- a podcast, The CarsGuide Podcast.

To draw on REA's own experience, REA invests heavily in innovative new services for agents, private sellers and property seekers. If those investments were not made, REA's platform would quickly become relatively unattractive to customers and advertisers.

There is the risk that the Proposed Acquisition will remove from the market a competitor that competes vigorously not only on the number of listings and audience reach, but through investing heavily in the user experience and product innovation.

## **4. Proposed market definition may require more nuanced approach**

The Application defines national markets for each of dealer automotive classified advertising and private automotive classified advertising. REA has no concluded view on the appropriate market definition in this matter as it relates to markets in which REA is not active. However, REA offers some general comments about market definition in digital listings markets which may assist the ACCC.

### **4.1. Regional differences in competitive position are important in digital listings markets**

The Application mischaracterises the state of competition in display advertising in a geographical sense. It sets out that "the Parties' products and services are supplied on a national basis".<sup>19</sup> The Application does not address regional differences to any meaningful extent, except to note that as online listings platforms, the Parties' products and services allow customers to perform searches at a local level.

In REA's experience, digital listings markets exhibit geographic differences in market position by region. In some regions, the brand strength of a digital listings platform can be significantly stronger than in others. Specifically in relation to digital property listings platforms, REA has observed that such platforms have a regional character. A large user base in one region may not necessarily translate into a strong market position elsewhere, or nationally.

It is for these reasons that the ACCC considered Fairfax's proposed acquisition of All Homes in 2014 in the context of markets for the supply of real estate listings and display advertising in the Australian Capital Territory. "The ACCC noted the significant differences in competitive dynamics between the online real estate advertising market in the ACT and other parts of Australia, particularly the very strong brand presence of All Homes in the ACT, which it did not enjoy in any other region".<sup>20</sup>

REA encourages the ACCC to consider these geographic nuances in the relevant markets set out in the

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<sup>19</sup> The Application, page 57.

<sup>20</sup> Ibid.

Application.

#### **4.2. Separate product markets for dealers and private sellers may be too narrowly defined**

Further, the Application does not engage in any detail on the question of separate product markets for dealers and private sellers. Instead, it relies on the ACCC's conclusion in its review of Carsales' proposed acquisition of Trading Post.

While dealers and private sellers are distinct classified advertiser segments, they both place listings on the same platform. All automotive classified platforms are active in respect of both advertiser segments. By analogy, in the property sector, REA considers that it would likely be inappropriate to narrowly define separate product markets for rental and sale listings, or for private sellers and real estate agents, or for new developments and established properties.

REA notes that in the Fairfax/All Homes matter, the ACCC defined a product market for the supply of real estate classified advertising services in the ACT, and did not further distinguish between private sellers or real estate agents. Given seven years have elapsed since the proposed Carsales/Trading Post acquisition, REA submits that it may be appropriate for the ACCC to revisit this issue.

### **5. Market share data should be treated with caution**

#### **5.1. Market share is an incomplete indicator of competitive position**

REA encourages the ACCC to proceed with some caution in drawing inferences from the market share data presented. Consideration of market share is necessary and relevant, but it is an incomplete indicator of dominance on its own.

REA considers that, in markets with the characteristics of digital advertising (such as automotive classified platforms), a relatively high degree of consolidation is inevitable. Digital listings involve a two-sided market in which services are provided both to consumers and to advertisers.

As is common to all or most two-sided markets, competition in digital property listings reflects some network effects that result from the utility of a given platform to consumers (and by extension, advertisers) being positively correlated with the number of consumers using the platform. In such a market, it has to be expected that market share will tend towards a relatively small number of players who are each able to offer a reasonably comprehensive service (as has been seen in other online markets, such as social media).

Importantly, however, this level of concentration does not imply that competition is, by any means, weak in such a market. To the contrary, the contest between leading players is likely to greatly amplify competition. Moreover, opportunities remain for significant entry and growth by rivals who are able to offer a superior or differentiated product, which poses a constant threat to leading players.

REA submits that the test of effectiveness of competition in a market such as automotive classified advertising should be direct evidence of competitive constraint and entry, rather than a superficial analysis of market shares.

#### **5.2. Revenue an inappropriate measure of market share**

The ACCC has asked for feedback on the most relevant metric(s) to measure the market shares of Gumtree, Cox Media and their competitors (e.g. revenue shares, share of inventory and/or share of audience).

Market share by revenue is unlikely to be an appropriate way of assessing the relative strength of competitors in digital listings markets. In digital listings markets, advertisers pay based on audience exposure, and there is often a range of pricing models available. For example, a platform with a display advertising-driven, or a "freemium" listings model, would see vastly different revenue figures to a platform with a more traditional revenue model.

In this respect, simply comparing absolute revenue levels or pricing models in isolation is meaningless to

competitive analysis. Instead it is necessary to benchmark against domestic and international comparators, to examine the correlation between price increases and audience/value, and to examine anecdotal evidence of competitive constraint and entry.

REA is of the opinion that listings or inventory volumes in combination with audience figures are more likely to be reliable metrics for the ACCC to consider market share, especially where competitors have different business and revenue models. Considering market share based on listings or inventory volumes alone, or audience figures alone, may give a skewed impression. In REA's experience, the two metrics considered together are likely to provide the most representative metric of market share. Where using inventory figures, data will need to be carefully vetted to control for manipulable variables such as listing velocity (i.e. time on site), listing duplication and fraudulent listings.