



Determination

Application for merger authorisation

lodged by

Gumtree AU Pty Ltd

in respect of

its proposed acquisition of Cox Australia Media
Solutions Pty Ltd

Authorisation number: MA1000019

30 April 2020

Commissioners: Sims, Keogh, Rickard, Cifuentes, Court, Ridgeway

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Abbreviations and definitions

ACCC	Australian Competition and Consumer Commission
the Act	<i>Competition and Consumer Act 2010</i>
Cox Automotive	Cox Automotive Australia Pty Ltd (ACN 090 535 505)
Cox Media	Cox Australia Media Solutions Pty Ltd (ACN 150 757 574)
DMS	dealer management system
Dealer Solutions	Dealer Solutions Pty Ltd
eBay	eBay Inc
Gumtree	Gumtree AU Pty Ltd (ACN 616 996 840)
LMS	lead management system
multi-homing	For sellers, this means listing an advertisement for the same vehicle on more than one online automotive classified platform For buyers, this means comparing dealer and private listed vehicles across different online automotive classified platforms
NVIC	National Vehicle Identification Code
OEM	original equipment manufacturer
Proposed Acquisition	Gumtree's proposed acquisition of 100 per cent of the ordinary share capital of Cox Media by way of a share purchase agreement

Summary

The ACCC has decided to grant an unconditional authorisation to Gumtree AU Pty Ltd to acquire 100 per cent of the ordinary share capital of Cox Australia Media Solutions Pty Ltd. This authorisation will remain in force for a period of twelve months until 22 May 2021, and will lapse if the Proposed Acquisition is not completed by that date.

This document sets out the ACCC's reasons for this determination.

Background

On 14 January 2020, Gumtree AU Pty Ltd (**Gumtree**) lodged a merger authorisation application to acquire 100 per cent of the ordinary share capital of Cox Australia Media Solutions Pty Ltd (**Cox Media**) by way of a share purchase agreement (**the Proposed Acquisition**).¹ Authorisation provides legal protection under competition law for the parties to complete a proposed acquisition.

The ACCC may grant authorisation to a proposed acquisition if it is satisfied that it would not, or would not be likely to, have the effect of substantially lessening competition (the 'substantial lessening of competition limb'), or that the likely public benefit from the proposed acquisition outweighs the likely public detriment (the 'net public benefit limb').

The ACCC's role in assessing Gumtree's merger authorisation application is therefore to assess the Proposed Acquisition's likely effect on competition, as well as the public benefits and public detriments likely to result if it were to proceed.

The Proposed Acquisition

Gumtree and Cox Media (through its online platforms Carsguide and Autotrader) both offer online automotive classified advertising to automotive sellers (both dealer and private sellers) and buyers within Australia. Gumtree and Cox Media also supply space on their respective platforms and mobile applications to third parties for display advertising.²

Gumtree seeks merger authorisation to acquire 100 per cent of the ordinary share capital of Cox Media by way of share purchase agreement, which was executed between Gumtree and Cox Automotive Australia Pty Ltd (**Cox Automotive**) on 19 December 2019.³

Gumtree submits that the Proposed Acquisition will enable it to more effectively compete in the online automotive classifieds market, and that the businesses of Gumtree and Cox Media are complementary, with Gumtree focussed primarily on private listings and Cox Media focussed on dealer listings. Gumtree believes that the Proposed Acquisition will enable it to increase its scale and that this will enable Gumtree to attract more dealers and inventory, and increase its audience reach.⁴

Gumtree submits that the Proposed Acquisition is unlikely to substantially lessen competition because: the parties are not close competitors; the parties account for a relatively small market share; Carsales, Facebook Marketplace and the threat of new entry will impose a

¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 18, 31.

² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 7.

³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 7, 18, 31.

⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 13, 21, 75.

competitive constraint on the merged entity; and there is low cost of switching for dealers, private sellers and potential buyers.⁵

Gumtree claims that the Proposed Acquisition will result in public benefits including: a better classified platform and increased ability to bypass Carsales and Facebook Marketplace; increased value for dealers; and opportunities for investment and innovation by the merged entity.⁶

Public consultation process

The ACCC initially invited submissions from over 120 parties. Public submissions are available from the ACCC's [Merger authorisations register](#).

Following the initial consultation period, the ACCC provided a 'Statement of Preliminary Views' to Gumtree and interested parties. This Statement summarised the issues raised by interested parties, and set out the ACCC's preliminary views.

Assessment

Gumtree and Cox Media overlap in:

- the supply of online automotive classified advertising to both private sellers and dealers in Australia
- the supply of online display advertising on digital automotive content providers.

Online automotive classified advertising

While the Proposed Acquisition will remove one of the five major competitors in what is a relatively concentrated market, the ACCC is of the view that the Proposed Acquisition is unlikely to substantially lessen competition for the supply of online automotive classified services.

The ACCC considers that sellers and buyers of vehicles will continue to have the ability to bypass Gumtree and Cox Media by using Carsales. Carsales is the clear market leader in terms of audience, listings and revenue. While Gumtree and Cox Media compete for sellers and buyers, Carsales is the strongest and closest competitor of both Gumtree and Cox Media, and is likely to provide a significant competitive constraint on Gumtree post-acquisition.

Facebook Marketplace is also a growing competitor that is likely to provide a competitive constraint on Gumtree in the future.

The ACCC also notes the potential for the Proposed Acquisition to create a more effective competitor in the market. However, it was not necessary for the ACCC to reach a concluded view about the likelihood that this would occur.

Online display advertising

The ACCC considers that the proposed acquisition is unlikely to substantially lessen competition in the supply of display advertising in any market because:

- The parties do not compete closely in the sale of direct advertising
- Post-acquisition, Gumtree would continue to be constrained by a range of alternative direct sellers of online automotive display advertising space

⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 10-12.

⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 13-14.

- Post-acquisition, Gumtree would continue to be constrained by the broad range of sellers of programmatic advertising space.

Balance of public benefits and detriments

The ACCC may grant merger authorisation where it is satisfied that at least one limb of the test is met. However, for completeness, in this determination the ACCC has also outlined the public benefits claimed by Gumtree and submissions from interested parties.

ACCC grants authorisation

The ACCC grants authorisation to Gumtree to acquire 100 per cent of the ordinary share capital of Cox Media. If no application for review is made to the Australian Competition Tribunal, this authorisation commences on 22 May 2020. Authorisation is granted for twelve months until 22 May 2021, and will lapse if the Proposed Acquisition is not completed by that date.

1. The application for merger authorisation

- 1.1. On 14 January 2020, Gumtree AU Pty Ltd (**Gumtree**) lodged an application (MA100019) with the Australian Competition and Consumer Commission (**ACCC**) seeking authorisation to acquire 100 per cent of the ordinary share capital of Cox Australia Media Solutions Pty Ltd (**Cox Media**) by way of a share purchase agreement (**the Proposed Acquisition**).⁷
- 1.2. Acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market are prohibited by section 50 of the *Competition and Consumer Act* (**the Act**). Parties can lodge applications for 'authorisation' with the ACCC, seeking legal protection to complete a proposed acquisition that would or might contravene section 50.

Merger authorisation – overview of the process and test

Merger authorisation is a public process where the ACCC may grant protection (called an 'authorisation') from legal action under section 50 of the Act for mergers or acquisitions in certain circumstances.⁸

The ACCC may grant merger authorisation if it is satisfied that either:

- the proposed acquisition would not, or would not be likely to, have the effect of substantially lessening competition or
- the likely public benefit from the proposed acquisition outweighs the likely public detriment.

The ACCC conducts a public consultation process when it receives an application for merger authorisation. Interested parties are invited to make submissions about the proposed acquisition, including commenting on the likely effect on competition, and whether the public benefit from the proposed acquisition outweighs the public detriment.

The Act requires the ACCC to make a decision (called a 'determination') about an application for merger authorisation within 90 days, unless the applicant agrees to an extension of this timeframe.⁹ If the ACCC does not reach a decision within 90 days, the ACCC is taken to have denied merger authorisation.¹⁰

The ACCC can decide to grant merger authorisation, deny merger authorisation, or grant merger authorisation subject to conditions (including imposing a condition to give or comply with an undertaking under section 87B of the Act).¹¹

Neither the ACCC nor third parties can take action under the Act regarding an acquisition that occurs while a merger authorisation is in force in relation to it.

Overview of the Proposed Acquisition

- 1.3. As noted above, under the Proposed Acquisition Gumtree proposes to acquire 100 per cent of the ordinary share capital of Cox Media by way of share purchase

⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 18, 31.

⁸ Detailed information about the authorisation process is available in the ACCC's [Merger Authorisation Guidelines](#).

⁹ Section 90(12) of the Act.

¹⁰ Section 90(10B) of the Act.

¹¹ Sections 88(3), 88(4) of the Act.

agreement. A share purchase agreement was executed between Gumtree and Cox Automotive Australia Pty Ltd (**Cox Automotive**) on 19 December 2019.¹²

- 1.4. Gumtree and Cox Media (through its online platforms Carsguide and Autotrader) both offer online automotive classified advertising within Australia.¹³
- 1.5. Gumtree and Cox Media also supply space on their respective platforms and mobile applications to third parties for display advertising.¹⁴ Online display advertising typically refers to online advertising other than classifieds and advertising provided in conjunction with search results. Online display advertising can take the form of text, images, animations, videos, or a combination of these, and can be purchased in different formats (i.e. on a website or an application).¹⁵

Gumtree's stated rationale for the Proposed Acquisition

- 1.6. Gumtree submits that the Proposed Acquisition will enable it to more effectively compete in the online automotive classifieds market, where it is currently experiencing a decline in its inventory levels and audience reach. Gumtree submits that the businesses of Gumtree and Cox Media are complementary, with Gumtree focussed primarily on private listings and Cox Media focussed on dealer listings.¹⁶
- 1.7. Gumtree believes that the Proposed Acquisition will enable it to increase its scale and its ability to generate positive network effects, and that this will enable Gumtree to attract more dealers and inventory and increase its audience reach, and that this will have positive revenue impacts for the business.¹⁷
- 1.8. Gumtree states that it understands that many dealers are dissatisfied with the high listing charges imposed by the largest online platform, Carsales, but feel that they have no real alternative and cannot switch away from Carsales, even if they currently list on multiple platforms, and many dealers are looking for an alternative.¹⁸
- 1.9. Gumtree submits that it has experienced a decline in its inventory and audience reach as a result of Carsales introducing free private listings and the entry of Facebook Marketplace's 'Vehicles' category.¹⁹

The authorisation test

- 1.10. The ACCC's assessment of the merger authorisation application is carried out in accordance with the relevant authorisation test contained in the Act.
- 1.11. The test for granting merger authorisation is set out in section 90(7) of the Act. The ACCC may grant merger authorisation for a proposed acquisition if it is satisfied in all the circumstances that either:
 - the proposed acquisition would not have the effect, or would not be likely to have the effect, of substantially lessening competition (**substantial lessening of competition limb**) or

¹² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 7, 18.

¹³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 7.

¹⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 7.

¹⁵ ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 123; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 100.

¹⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 13, 21, 75.

¹⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 21.

¹⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 21.

¹⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 22.

- the proposed acquisition would result, or be likely to result, in a benefit to the public, and that benefit would outweigh the detriment to the public that would result, or be likely to result, from the proposed acquisition (**net public benefit limb**).

1.12. Gumtree seeks authorisation of the Proposed Acquisition on the basis that, in its submission, it:

- “would not have the effect, and would not be likely to have the effect, of substantially lessening competition in any market (no SLC limb); or
- would result, or be likely to result, in a benefit to the public, and the benefit would outweigh any detriment to the public that would result, or be likely to result, from the Proposed Transaction (net public benefit limb)”.²⁰

2. Timing

2.1. The ACCC has a period of 90 days in which to make a Determination in respect of the application, although the Act allows for the time period to be extended by agreement by the applicant. In this case Gumtree has agreed to an extension due to the timing of the application, in particular the need to commence a public consultation process in mid-January when some potentially interested parties may not be available. This meant that the ACCC had until 28 April 2020 to make its decision. Following delays in the ACCC receiving certain information, Gumtree later agreed to a further one week extension until 5 May 2020, should the ACCC require more time to complete its assessment.

3. Background

The acquirer - Gumtree AU Pty Ltd

- 3.1. Gumtree is a subsidiary of eBay Classifieds Holding B.V., whose ultimate parent company is eBay Inc (**eBay**). In Australia, eBay operates a multi-category general classifieds platform through its website eBay.com.au. Gumtree is managed as part of the eBay Classifieds Group, and eBay’s classified platform also has a motors category.²¹
- 3.2. Gumtree operates gumtree.com.au, an Australian multiple-category general classified advertisement platform, which connects buyers and sellers of goods and services through online listings across a wide range of categories. Relevant to the Proposed Acquisition, Gumtree operates Gumtree Cars, a dedicated specialised car selling platform, launched in 2017. Gumtree Cars is managed by a specific division within the Gumtree organisation, Gumtree Motors.²²
- 3.3. Gumtree supplies online classifieds for new and used cars to both private sellers and dealers. Gumtree provides limited dealer-specific services to dealers using its platform. It does not offer any inventory or lead management system or other dealer-specific ancillary services.²³

²⁰ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 31.

²¹ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 15.

²² Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 46.

²³ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 46.

The target - Cox Australia Media Solutions Pty Ltd

- 3.4. Cox Media is a subsidiary of Cox Automotive Australia Pty Ltd (**Cox Automotive**), which is 70 per cent owned by Cox Automotive International Sarl and 30 per cent owned by DealerMotive Ltd, a consortium of Australian dealer groups.²⁴ Cox Automotive has three divisions:
- its Media Solutions division, run via Cox Media, which operates the Carsguide.com.au and Autotrader.com.au platforms
 - its Retail Solutions division, run via Dealer Solutions Pty Ltd (**Dealer Solutions**), which offers dealer platforms and services
 - its Inventory Solutions division, run via Manheim Pty Ltd, which offers wholesale inventory solutions (primarily focused on wholesale vehicle auctions) and consumer facing auctions.²⁵
- 3.5. Only Cox Media is the subject of the Proposed Acquisition.²⁶

Carsguide and Autotrader

- 3.6. Carsguide is a website that provides online classifieds services as well as editorial content, such as reviews, news, vehicle comparisons, video content and expert advice, to help consumers understand their choices primarily in relation to new cars.²⁷
- 3.7. Autotrader supplies online classifieds services to dealers and private sellers. Autotrader was launched in 2018 by Cox Media.²⁸
- 3.8. Carsguide and Autotrader provide other related services to dealers and private sellers:
- For dealers: Carsguide and Autotrader offer a 'Dealer Hub' portal which can be accessed from the Autotrader platform and allows dealers to monitor and manage the performance of their listed vehicle.²⁹
 - For private sellers: Carsguide and Autotrader offer a car valuation tool that allows sellers to input information about the car, and a suggested price range is provided.³⁰
- 3.9. Autotrader has a syndication arrangement with Facebook Marketplace. When a car dealer lists a vehicle on Autotrader, Autotrader will automatically list the vehicle on Facebook Marketplace free of charge (unless the dealer opts out of syndication).³¹

Competitors

- 3.10. In addition to the merger parties, there are a number of alternative businesses offering online automotive classifieds, via various commercial models. The largest of these competitors are discussed in more detail below.

²⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 17.

²⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 17.

²⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 18.

²⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 18.

²⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 49.

²⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 50.

³⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 50.

³¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 51.

Carsales.com.au

- 3.11. Carsales, established in 1997, is a specialist online automotive classifieds platform.³² Carsales owns or operates automotive listings businesses in Australia, Brazil, South Korea, Mexico, Chile and Argentina.³³
- 3.12. Carsales provides a range of digital listing services for dealers and private sellers as well as editorial content. Carsales is vertically integrated, providing online inventory management and data services to automotive dealers, as well as automotive specification and valuation information services.³⁴

Facebook Marketplace

- 3.13. Facebook launched Facebook Marketplace in Australia in 2016, as another feature offered on the Facebook platform. Facebook Marketplace is used by Facebook users to buy and sell a range of different goods and services. This includes the listing for sale of used motor vehicles by both private sellers and dealers.³⁵ Facebook Marketplace launched its 'Vehicles' category in November 2018.³⁶ Facebook enables its listing partners to display and sell their inventory to Facebook users via listings, and to communicate with and allow Facebook users to contact them regarding listings through Facebook Messenger or a lead generation feature.³⁷
- 3.14. Private sellers, who are also Facebook users, are able to list vehicles on Facebook Marketplace free of charge. Dealers can also list used vehicles on Marketplace free of charge.³⁸ To facilitate the listing of vehicles by dealers on Marketplace, Facebook has 'syndication' partnerships with online automotive classified sites including Carsales, Autotrader, Drive, and Trading Post whereby when a vehicle is listed on one of these sites, the site can also post the listing on Facebook Marketplace.³⁹
- 3.15. To facilitate dealer listings, Facebook Marketplace also has listing partnerships with businesses that specialise in providing automotive software and/or inventory listing and management services to dealers such as DealerSolutions, Adtorque Edge, I-Motor, Jeal (EasyCars) and Virtual Yard.⁴⁰ While it is free for dealers to list on

³² Submission from Carsales, 10 February 2020, p. 2; ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 89.

³³ Submission from Carsales, 10 February 2020, p. 3.

³⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 39.

³⁵ Submission from Facebook, 12 February 2020, p. 1.

³⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p.43.

³⁷ Submission from Facebook, 19 March 2020, p. 2; **CONFIDENTIAL:** [REDACTED]

³⁸ Submission from Facebook, 19 March 2020, p. 1.

³⁹ Dealers can choose to 'opt-out' of syndication if they wish (Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 44).

⁴⁰ Submission from Facebook, 12 February 2020, p. 1. **CONFIDENTIAL:** [REDACTED]

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[REDACTED]	[REDACTED]

Facebook Marketplace, these partners may charge dealers for their services and for listing vehicles on Facebook Marketplace on behalf of the dealer.⁴¹ While dealer listings are typically listed on Facebook Marketplace through these partnerships, dealers can also list directly on Facebook Marketplace.⁴²

- 3.16. All advertisements on Facebook Marketplace go through Facebook’s standard advertisement auction and delivery process, which is designed to match advertisements to particular viewers at a particular time (based on data collected about the viewer). Advertisers do not specify or limit their advertisements to particular item categories found on Facebook Marketplace.⁴³

Drive

- 3.17. Drive is an online automotive classifieds platform owned by Nine Entertainment Co following Nine’s acquisition of Fairfax Media in 2018. Drive displays new and used car listings from private sellers and dealers and editorial automotive content.⁴⁴
- 3.18. Following the recent acquisition by Nine, Drive has been absorbed into the CarAdvice platform owned by Nine. CarAdvice is a publisher of new car content in Australia, providing reviews, advice, entertainment and news. CarAdvice’s content is shared onto Drive’s digital and print platforms.⁴⁵
- 3.19. Drive offers sellers two ways to advertise a vehicle: by listing it on the Drive website, or by being matched to a buyer that has provided details about the type of car they are interested in (this service is only available to Drive dealer partners). In order to assist sellers to decide whether to list the vehicle for sale, or get an instant offer, Drive offers a free vehicle valuation tool on its site.⁴⁶

Trading Post

- 3.20. Trading Post is a general classified advertising platform that includes automotive classifieds.⁴⁷

Overview of pricing structures

- 3.21. Below is a summary of the pricing structures of some of the online automotive classifieds players.

Carsales

- 3.22. For dealer listings of new cars, Carsales offers dealers a choice of three packages, ‘Essentials’, ‘Amplify’ and ‘Assured’. Each package attracts a monthly fee depending on the dealer’s total inventory level (see Table 1).

⁴¹ Submission from Facebook, 19 March 2020, p. 1.
⁴² Submission from Facebook, 19 March 2020, p. 1.
⁴³ Submission from Facebook, 19 March 2020, p. 2.
⁴⁴ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 52.
⁴⁵ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 52.
⁴⁶ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 52.
⁴⁷ Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 53.

Table 1: Carsales monthly fees for new car dealers⁴⁸

Inventory level	Essentials	Amplify	Assured
0-20 Items	\$550	\$1,180	\$1,970
21-61 Items	\$750	\$1,400	\$2,340
61-150 Items	\$950	\$1,660	\$2,780
150+ Items	\$1,190	\$1,980	\$3,230

- 3.23. In addition to the monthly fee, a fee per lead of \$54 for demonstrator cars and \$48 for new cars (waived for the Assured packed) and a one-off establishment fee of \$515 apply.⁴⁹
- 3.24. For dealer listings of used cars, the fee per lead for used cars listed on Carsales depends on the price of the vehicle (see Table 2).

Table 2: Carsales dealer fees per lead for used cars⁵⁰

Price of vehicle	Price per enquiry
< \$2,999	\$7
\$3,000 - \$8,499	\$33
\$8,500 +	\$54

- 3.25. For private sellers, Carsales offers the option to list a 'Standard Ad', 'Premium Ad' or 'Ultimate Ad'. Premium and Ultimate advertisements appear higher in search results and share a history report with buyers.⁵¹ The price of a listing depends on the asking price of the car being listed, and which type of advertisement it is (see Table 3).

Table 3 – Carsales private seller listing prices⁵²

Selling price of car	Standard Ad	Premium Ad	Ultimate Ad
Over \$70,000	NA	\$175	\$315
\$30,000 - \$69,999	\$115	\$165	\$305
\$20,000 - \$29,999	\$95	\$145	\$265
\$15,000 - \$19,999	\$78	\$128	\$225
\$5,000 - \$14,999	\$68	\$108	\$205

⁴⁸ <https://dealersignup.carsalesnetwork.com.au/carsales>; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 39.

⁴⁹ <https://dealersignup.carsalesnetwork.com.au/carsales>; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 38.

⁵⁰ <https://dealersignup.carsalesnetwork.com.au/carsales>; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 38.

⁵¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 37.

⁵² <https://www.carsales.com.au/sell-my-car>

\$0 - \$4,999	Free ⁵³	\$58 ⁵⁴	\$88 ⁵⁵
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Gumtree

- 3.26. Dealers listing vehicles on Gumtree must subscribe to a package in order to list vehicles on the Gumtree platform, with the more expensive packages allowing more features to promote listings. The price of each package also depends on the number of listings the dealer chooses to display, as set out in Table 4.⁵⁶

Table 4: Gumtree dealer fees⁵⁷

Active Listings	Monthly Price (\$, excluding GST)			Additional Listing (\$, excluding GST)		
	Basic package	Plus package	Premium package	Basic package	Plus package	Premium package
Up to 10	350	410	775	38.50	45.10	89.10
Up to 20	565	690	1,150	32.50	39.70	66.10
Up to 30	625	935	1,400	24.50	38.50	55.80
Up to 45	785	1,290	1,925	20.90	34.70	51.30
Up to 60	990	1,680	2,425	20.00	33.00	48.70
Up to 100	1,480	2,500	3,450	18.60	29.20	42.00
Up to 160	2,185	3,700	5,080	15.40	25.00	35.00
Up to 250	3,015	5,000	6,600	13.00	22.00	28.90
Up to 500	5,100	7,800	10,025	11.80	18.10	24.20
Up to 750	7,250	11,500	14,750	11.10	17.60	22.60
Up to 1,000	9,200	14,900	19,150	10.60	17.30	21.60
Up to 1,500	13,200	21,735	27,900	9.50	14.50	19.00
Up to 2,000	17,550	29,000	37,200	9.00	14.50	18.60

- 3.27. Gumtree allows private sellers to list two vehicles at a time for free, with the option to add a paid features package to promote their listing/s, as set out in Table 5.

⁵³ Referred to as a Lite Ad.

⁵⁴ Referred to as a Standard Ad.

⁵⁵ Referred to as a Premium Ad.

⁵⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 47.

⁵⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 48.

Table 5: Gumtree Listing options for private advertisers⁵⁸

Plus (\$39)	Featured (\$69)	Premium (\$99)
Up to 10 photos	Up to 20 photos	Up to 20 photos
Weekly 'Bump Up' to top spot	Weekly 'Bump Up' to top spot	Weekly 'Bump Up' to top spot
	Bigger image in search results	Bigger image in search results
	Priority 'Top Ad' listing	Priority 'Top Ad' listing
		3 images in search results
		'Homepage Gallery' advertisement

Carsguide/Autotrader

3.28. Dealers on Autotrader and Carsguide must subscribe to a level, and are charged on a 'pay per view' basis for each view that their listings receive, in addition to a small listing fee. The amount charged is capped, depending on the listing price of the vehicle. The cap operates for views across Autotrader and Carsguide, and after it is reached, dealers are not charged for any additional views. Dealers can pay an additional fee to feature listings more prominently on the site.⁵⁹ Private sellers can list on Carsguide and Autotrader for free (and listings are displayed on both sites).⁶⁰

Facebook Marketplace

3.29. Facebook does not charge for listings on Facebook Marketplace, rather, it generates revenue via display advertising. Dealers can list directly on Facebook Marketplace, but may elect to do this via a data aggregator or syndication arrangement with another platform.⁶¹

Industry Overview

Online automotive classified advertising

3.30. There are two types of online classifieds platforms:

- General, known as a 'horizontal' online classified advertising site. Gumtree, eBay and Facebook Marketplace are examples of horizontal online classifieds providers, as they provide classified advertising for a broad range of products and services across multiple categories.
- Dedicated vertical (or specialised) online classified advertising sites which focus on a single product category. Within the automotive space, Carsales, Drive, Carsguide/Autotrader are dedicated vertical online classifieds providers, as they only provide automotive classified advertising.⁶²

⁵⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 47.

⁵⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 51-52.

⁶⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 51.

⁶¹ Submission from Facebook, 19 March 202, pp. 1-2.

⁶² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 31.

- 3.31. Online automotive classified advertising platforms operate in a two-sided market that connects two distinct customer groups – sellers and buyers (an audience). On one side of the market, sellers interact with a provider (such as Cox Media or Carsales) to acquire online advertising. On the other side of the market, the audience (e.g. potential car buyers) view online advertisements. To succeed, a site must attract both sellers and audience.⁶³ Providers of online automotive classified advertising platforms generate revenues by charging sellers fees to advertise their vehicles and/or selling display advertising space to businesses (e.g. banner advertisements on the web page).
- 3.32. The supply of online automotive classified advertising involves the provision of a website platform which allows sellers to post classified advertisements of vehicles for sale (known as 'listings'). Sellers can upload vehicle information and photographs to the site, including make, model, year of manufacture, condition and mileage. Potential purchasers visiting the site are typically able to browse 'all cars' or search for cars matching certain criteria (such as new or used, make, year of manufacture, price range, location, odometer reading and transmission type).⁶⁴
- 3.33. There are two groups on the seller side of the market:
- **Dealers:** which are commercial dealerships offering new and/or used cars for sale. To attract dealers to their platform, some online automotive classified advertising platforms offer support tools and ancillary services that dealers may require or value. Dealers tend to be higher value customers than private sellers because of the volume of listings they place on a platform and their greater willingness to pay. Dealers prefer advertising on platforms that attract a significant qualified audience (i.e. where buyers are more likely to be seeking cars in the relevant price range). Dealers can list their inventory directly with an online automotive classifieds platform or indirectly, through the use of an online aggregator which collects their vehicle data and generates listings on one or more selected platforms. Dealers may list vehicles on more than one platform simultaneously.
 - **Private sellers:** which are individuals who are selling their own car (or a car on behalf of someone else such as a family member) and tend to sell one car at a time every few years. Unlike dealers, private sellers do not require support tools to manage the sale of their vehicle and tend to be lower value customers. Private sellers may also be more likely than dealers to list their car on multiple platforms simultaneously given that a number of online classifieds offer free or low upfront listing fees for private sellers.⁶⁵
- 3.34. Providers of online automotive classified advertising generally treat the two types of sellers as two distinct customer groups, with differentiated pricing structures and ancillary services. Dealers have more sophisticated requirements and are offered more services than private sellers.⁶⁶
- 3.35. Potential buyers utilising online automotive classifieds platforms consider different factors in deciding which platform to search on compared to a seller deciding which platform to advertise on. Gumtree submits that the factors that are important to potential buyers include the strength of the online automotive classified provider's brand, the price of the vehicle, the quantity and quality of the inventory available and

⁶³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 33-34.

⁶⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 31.

⁶⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 32.

⁶⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 32.

the ease of use and experience of the website or app (such as the presentation, quality and amount of information on the website or app). Additional features that a potential buyer may value include the search tools available to filter listings, the detail about car dealers provided (for example, if reviews and ratings are provided) and whether the pricing of vehicles is transparent.⁶⁷ Online automotive classifieds platforms do not charge a fee to potential buyers using their platform.

Network effects

- 3.36. Online automotive classifieds platforms can benefit from network effects. As the number of sellers using the platform grows, more buyers are likely to use the platform to see a greater number of listings, and vice versa.⁶⁸
- 3.37. Further, as the platform grows, it is able to collect more user data and information to improve their services and deliver a more tailored experience for both buyers and sellers. This data can also be utilised to attract more advertisers to acquire display advertising space on the platform. Over time, these factors create a constant virtuous feedback loop for the platform.⁶⁹

Multi-homing

- 3.38. One of the key characteristics of online automotive classifieds platforms is multi-homing, both for sellers and buyers. For sellers, multi-homing means listing an advertisement for the same vehicle on more than one platform simultaneously, enabling a wider audience to be reached to increase the likelihood of generating leads and making a sale.⁷⁰
- 3.39. For buyers, this means comparing dealer and private listed vehicles across different platforms.⁷¹ By browsing multiple platforms, buyers maximise their access to the available inventory to find the right car for them.
- 3.40. Dealers have an incentive to multi-home in order to reach the largest possible audience. However, dealers generally face a cost to listing on each platform, limiting their incentive to multi-home. Multi-homing by dealers is usually facilitated by aggregators, which aggregate listings data and offer dealers the ability to list on multiple online automotive classifieds platforms at once. Use of an aggregator also enables dealers to switch the display of their listings between online automotive classifieds platforms more easily.⁷² Dealers typically have a number of vehicles to list at any one time and the model and age of the vehicles may influence which platform the vehicles are listed on and whether they are listed on more than one.
- 3.41. Cox Automotive considers that the majority of dealers use more than one online automotive classifieds platform. Autobiz industry data shows that, on average, each dealer listing is advertised on 1.4 platforms which indicates that most dealer listings are on a single platform and a smaller proportion of listings are on two or more platforms.⁷³

⁶⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 33.

⁶⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

⁶⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

⁷⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

⁷¹ Although we note that many prospective buyers may only visit Carsales.

⁷² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

⁷³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

- 3.42. Private sellers also have an incentive to multi-home in order to reach the largest audience possible. In addition, the barriers to multi-homing are low – no platforms currently charge private sellers for a basic listing, with the exception of Carsales which charges to list vehicles above \$4,999. The main barrier to multi-homing for private sellers is the time and effort it takes to create and manage multiple duplicate listings.⁷⁴

Syndication

- 3.43. Inventory syndication involves the posting of a listing on an online automotive classifieds platform to another platform (with whom the syndication arrangement exists). Dealers benefit from syndicating to multiple platforms because they can reach a larger audience, which in turn improves the likelihood of generating leads and making a sale. Platforms benefit from syndicating their listings to other platforms because doing so improves the value of its offering to dealers.⁷⁵
- 3.44. In Australia, Cox Media, Carsales and Drive all have syndication arrangements with Facebook Marketplace. When creating a listing, dealers can opt-in (in the case of Carsales) or opt-out (in the cases of Cox Media and Drive) to have their listing displayed on Facebook Marketplace free of charge.⁷⁶

Online automotive classified value chain

- 3.45. Gumtree submits that the following are the components of the automotive classifieds value chain:⁷⁷

Figure 1: Components of the automotive classifieds supply chain



Inventory sourcing services

- 3.46. Dealers source used vehicles to sell in their dealerships in a variety of ways, including through trade-ins or by purchasing them from used vehicle sale yards, auction houses, or from private sellers on online automotive classifieds websites.⁷⁸

Dealer Management Systems

- 3.47. A dealer management system (**DMS**) is a bundled software system created for automotive car dealerships to manage, track and report on all aspects of their businesses. Almost all dealers use a DMS.⁷⁹ The features and functions of a DMS differ from provider to provider. Generally, all DMS products include features such as automotive accounting, compliance forms, Personal Property Securities Register (PPSR)/car history reports and invoicing functionalities. More sophisticated DMS

⁷⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 34.

⁷⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 35.

⁷⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 35.

⁷⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 35.

⁷⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 96.

⁷⁹ Statement of Robert Joseph Whiten, 18 December 2019, para. 14.1; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 96.

products are able to integrate with data aggregators and inventory/lead management tools.⁸⁰

- 3.48. DMS providers include Dealerlogic (Cox Automotive), Pentana Solutions (previously affiliated with Carsales), Titan DMS, Auto IT, CDK Global, Ultimate Business Systems, EasyCars and Virtual Yard.⁸¹

Pricing Services

- 3.49. Dealers access pricing data and use pricing tools to understand the current market position of vehicles in their stock and ensure that their pricing is within the market estimate. RedBook (owned by Carsales) and Glass's are two major automotive information and valuation providers in Australia. Another provider of pricing and valuations for new and used cars is Kelley Blue Book, which is owned by Cox Automotive.⁸²

Data aggregation

- 3.50. Data aggregation involves 'purifying' a dealer's inventory data by pulling the relevant information from their DMS and converting the information to a form suitable for publication in the format preferred by the platform. The 'look' of a listing will match the rest of the online automotive platform, so it is not possible to tell which listing are uploaded through an aggregator or directly by a dealer, or which vehicles may also appear on other sites.⁸³ Data aggregation services are generally provided as part of the suite of services offered by third party DMS providers.
- 3.51. Data aggregators are beneficial for dealers because manually listing on multiple platforms can be labour intensive and time consuming. Data aggregators will place dealers' listings on the platforms chosen by the dealer. Aggregators also assist a dealer to ensure compliance with original equipment manufacturer (i.e. the car manufacturer) (**OEM**) requirements in relation to advertising.⁸⁴

Insertion/publishing

- 3.52. Insertion, also referred to as publishing services, is the posting of a vehicle listing onto an online automotive classifieds platform. Data aggregators (or dealers, if they are not using a data aggregator) will send a request to a publisher to insert a listing of a particular vehicle on a particular platform. This is referred to as a 'feed'. Once a feed is requested, further information (relating to a change in price, or if the vehicle is sold) can flow between the parties.⁸⁵
- 3.53. A vehicle must be identified using either a National Vehicle Identification Code (**NVIC**) from Glass's or a vehicle code from RedBook (which is owned by Carsales). These unique vehicle codes are developed internally by Glass's or RedBook, remain with a vehicle throughout its lifespan, and represent a summary of that vehicle's specifications (i.e. make, model, year of manufacture etc).⁸⁶

⁸⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 96

⁸¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 96.

⁸² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 97.

⁸³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 97.

⁸⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 97.

⁸⁵ Statement of Robert Joseph Whiten, 18 December 2019, para. 43; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 98.

⁸⁶ Statement of Robert Joseph Whiten, 18 December 2019, para. 46; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 98.

3.54. Providers include Dealer Solutions (Cox Automotive) and DataMotive (Carsales).⁸⁷

Lead Management Systems

3.55. A Lead Management System (**LMS**) allows dealers to manage their inventory, their listings and their leads. It will usually amalgamate a dealer advertiser's lead information across all platforms on which its vehicles may be listed. Depending on the LMS, it may also report on the performance of the listings (e.g. number of vehicle views) and manage follow-up enquiries, test drives and appointments. Similar to a DMS, LMS software is provided and charged for separately to publishing and data aggregator services.⁸⁸

3.56. Providers include Sales Highway (Dealer Solutions, Cox Automotive), Autogate (Carsales), Dealer Socket, e-Good Manners, autoPlay, Salesforce.⁸⁹

Online display advertising

3.57. Online display advertising typically refers to online advertising other than classifieds and advertising provided in conjunction with search results. Online display advertising can take the form of text, images, animations, videos, or a combination of these, and can be purchased in different formats (i.e. on a website or an application).⁹⁰ For example, this includes banner advertisements (advertisements that appear at the top or next to content on a website), video advertisements (advertisements that play before, during or after a video), in-app advertisements, and advertisements that appear on social media.

3.58. As identified in the Digital Platforms Inquiry Final Report, there are four channels through which display advertising can be purchased/sold:

- Facebook: Facebook sells advertising space on the Facebook platform, Instagram, Messenger, and third-party websites that are part of Facebook's Audience Network.
- Google: Google sells advertising space through its integrated products and ad tech services (including programmatic advertising, described below), on Google websites or third-party websites. Third-party websites enter into agreements with Google to sell display advertising space (for example, Gumtree).
- Other ad tech service providers: Different providers offer software and platforms which facilitate programmatic advertising, which is the automated purchase and sale of display advertising. Programmatic advertising occurs in real time and allows the utilisation of data to target users.
- Direct deals: Direct deals are the non-automated sales of specific display advertising spaces. Advertisers will directly negotiate with a third-party website or an advertising agency to purchase display advertising on a particular website.⁹¹

3.59. Automotive websites use varying combinations of Google, other ad tech service providers and direct deals for display advertising on their websites. For example, Gumtree sells display advertising through Google Advertising Exchange, other

⁸⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 98-99.

⁸⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 98.

⁸⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 99.

⁹⁰ ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 123.

⁹¹ ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 123; Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 101.

programmatic platforms and direct deals,⁹² and Cox Media has a large proportion of automotive related display advertising due to its strong OEM relationships.⁹³

4. Consultation

- 4.1. The ACCC tests the claims made by the applicant in support of an application for merger authorisation through an open and transparent public consultation process.
- 4.2. Before the ACCC releases a determination in relation to an application for merger authorisation, the ACCC provides feedback to the applicant about the issues raised in submissions from interested parties. The feedback also identifies any issues of concern to the ACCC at that time and invites submissions on issues raised.
- 4.3. In this matter, the ACCC invited submissions at two different stages – immediately after the application was lodged, and in response to the ACCC’s [Statement of Preliminary Views](#) of 16 March 2020.
- 4.4. In response to the application for merger authorisation, the ACCC sought submissions from a range of potentially interested parties including automotive dealers, automotive manufacturers, online automotive classified platforms, online general classified platforms, display advertisers, industry associations, and providers of related services to dealers and advertisers.
- 4.5. The ACCC has received a range of market feedback through public and confidential submissions and market inquiries undertaken with interested parties. This market feedback is summarised below, including de-identified feedback that the ACCC has received in confidential submissions and market inquiries. Public submissions are available on the [Merger authorisations register](#).
- 4.6. The ACCC has also received a range of information and documents from Gumtree, Cox Media and third parties through use of its statutory information gathering powers and through voluntary requests for information.
- 4.7. The ACCC has taken into account submissions and information received from Gumtree and interested persons. The views of interested parties and Gumtree and Cox Automotive are outlined in further detail where relevant in this Determination.

Applicant supporting submission

- 4.8. Gumtree submits that the Proposed Acquisition is unlikely to substantially lessen competition because:
 - it considers the parties are not close competitors. Gumtree suggests it is focused on connecting buyers to private sellers. Carsguide/Autotrader is focused on connecting buyers to dealers
 - the parties account for a relatively small share of total market revenue from dealer classified advertising and private classified advertising
 - Carsales is the largest provider and in Gumtree’s view will impose a very strong competitive constraint on Gumtree post-acquisition. Gumtree considers Facebook Marketplace is also a key competitor

⁹² Gumtree AU Pty Ltd’s application for merger authorisation MA1000019, 14 January 2020, p. 100.

⁹³ Submission from Gumtree, 28 March 2020, p. 26.

- it sees there is a very real threat of new entry from established suppliers in other countries
- it considers multi-homing (i.e. using multiple platforms) by advertisers and potential buyers means that the cost of switching away from Gumtree post-acquisition will be low.⁹⁴

4.9. Gumtree claims that the following public benefits will result from the Proposed Acquisition:

- a better classified platform that is more attractive to both dealer and private sellers and to consumers wishing to consider or buy a car. Gumtree submits that as the Proposed Acquisition will allow advertisers to cross-list on both platforms, it will increase the audience for advertisers and increase the inventory for potential buyers
- increased value for dealers, including the development of dealer tools and through an increase in leads, which will provide sellers with more choice within the market and a real alternative to Carsales
- opportunities for investment and innovation by Gumtree post-acquisition, including investment in product enhancements that will improve the user experience. Gumtree submits the Proposed Acquisition is expected to result in increased attractiveness and revenue from expanded inventory, as well as cost efficiencies and synergies for the merged entity which, in turn, will lower the risk of investment in innovations⁹⁵ and other product enhancements
- overall, a better alternative platform for advertisers and buyers, and increased ability to bypass Carsales and Facebook Marketplace. Gumtree considers the availability of a better alternative and the prospect of customer diversion is likely to prompt competitive responses from these strong players. It suggests the likely effects of this will be more competitive pricing, improved service levels, more consumer choice, and increased incentives for market participants to innovate.⁹⁶

Online automotive classified advertising

4.10. Most stakeholders who provided submissions or were contacted by the ACCC do not have concerns about the Proposed Acquisition. Most dealers, and their representatives, consider Carsales to be a 'must have', except in respect of low value used cars or in non-metropolitan areas.⁹⁷ Dealers generally consider that there is a potential, post-acquisition, for Gumtree to be a viable alternative to Carsales, but also expressed the view that Carsales' position in the market is such that Gumtree post-acquisition may still not significantly constrain it.⁹⁸ In contrast, some competitors of Gumtree and Cox Media have raised concerns that the Proposed Acquisition, by

⁹⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 10-12.

⁹⁵ CONFIDENTIAL: [REDACTED]

⁹⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 13-14, 81.

⁹⁷ Submission from AP Eagers, 10 February 2020, p. 2; Submission from Australian Automotive Dealer Association, 17 February 2020, pp. 3-6; CONFIDENTIAL: [REDACTED] CONFIDENTIAL: [REDACTED]

⁹⁸ Submission from Australian Automotive Dealer Association, 17 February 2020, p. 4; CONFIDENTIAL: [REDACTED] CONFIDENTIAL: [REDACTED]

bringing together two of the larger suppliers of online automotive classified advertising, will reduce competition to supply these services.⁹⁹

- 4.11. In their response to the ACCC's Statement of Preliminary Views, Gumtree and Cox Media reiterated their submission that the Proposed Acquisition will create a vigorous and effective competitor in Gumtree against a strong Carsales, thereby providing meaningful competition within the market.¹⁰⁰

Online display advertising on digital automotive content providers

- 4.12. The ACCC received mixed feedback about display advertising through interested party submissions and its market inquiries process. Some market participants expressed concerns regarding the potential competitive impacts that the Proposed Acquisition could have on online display advertising.¹⁰¹ Other market participants did not express any views or concerns about the impact of the Proposed Acquisition on online display advertising.¹⁰²
- 4.13. In their response to the ACCC's Statement of Preliminary Views, Gumtree and Cox reiterated their submissions that the Proposed Acquisition will not have an impact on the supply of online display advertising, as they will continue to be constrained by Facebook and Google.¹⁰³

Link between Cox Media and other Cox Automotive business

- 4.14. The ACCC received concerns through its market inquiries process that in managing dealers' inventory of listings, Cox Automotive's Dealer Solutions could favour the Carsguide/Autotrader (and post-acquisition, Gumtree) platform over platforms operated by third parties. Further, concerns were raised that post-acquisition, Gumtree may enter into an agreement with Dealer Solutions to provide publishing services to Gumtree, foreclosing opportunities for other publishers to compete to supply these services to Gumtree.
- 4.15. In their response to the ACCC's Statement of Preliminary Views, Cox Automotive submitted that Dealer Solutions has never refused to list vehicles on platforms other than Carsguide/Autotrader, the Proposed Acquisition will break up the existing vertical relationship (making the relationship arms-length) and that any move by Gumtree to limit competition post-acquisition would be subject to the Act.¹⁰⁴

5. ACCC assessment

Relevant markets

- 5.1. To assess the effect of the Proposed Acquisition the ACCC identifies the relevant markets likely to be impacted.

⁹⁹ Submission from Carsales, 27 February 2020, pp. 2-3; **CONFIDENTIAL:** [REDACTED]

¹⁰⁰ Submission from Gumtree, 28 March 2020, p. 3; Submission from Cox Automotive, 27 March 2020, p. 1.

¹⁰¹ **CONFIDENTIAL:** [REDACTED]

¹⁰² AP Eagers, Carsales and the Australian Automotive Dealer Association did not express a view (Submission from AP Eagers, 10 February 2020; Submissions from Carsales, 10 February 2020 and 27 March 2020; Submission from the Australian Automotive Dealer Association, 17 February 2020). MotorWeb considers that classified websites compete with any number of other websites (Submission from MotorWeb, 23 March 2020, p. 1).

¹⁰³ Submission from Gumtree, 28 March 2020, p. 27; Submission from Cox Automotive, 27 March 2020, p. 1.

¹⁰⁴ Submission from Cox Automotive, 27 March 2020, p. 7.

5.2. Gumtree and Cox overlap in:

- the supply of online automotive classified advertising to automotive sellers (both private sellers and dealers) and buyers in Australia
- the supply of online display advertising on digital automotive content providers.

National market for the supply of online automotive classified advertising

5.3. Gumtree submits that there are separate but related markets for the supply of online automotive classified advertising to dealers and private sellers.¹⁰⁵

5.4. For the reasons outlined below, the ACCC considers that it is likely that the appropriate market is a national market for online automotive classified advertising which includes both dealers and private sellers. However, the ACCC considered the potential for competitive harm arising from the acquisition on the dealer segment and private seller segment of the market separately. The ACCC's assessment of the competitive effects of the proposed transaction does not depend on the precise definition of the market adopted.

Demand-side

5.5. The ACCC is satisfied¹⁰⁶ that many potential buyers of used vehicles consider vehicle listings by dealers to be a substitute for vehicle listings by private sellers, notwithstanding that some buyers may prefer purchasing from one or the other, consistent with Gumtree's submissions.¹⁰⁷ Therefore many potential buyers searching for a used vehicle are likely to consider online automotive classified advertising platforms which list either private or dealer used vehicles (or both) as being substitutable.

5.6. While Carsales, Gumtree, Carsguide/Autotrader and Drive allow prospective buyers the opportunity to filter a search based on whether the advertiser is a private seller or a dealer, a buyer can only filter the search once the initial search has been done.¹⁰⁸

Supply-side

5.7. Gumtree, Cox Media, and the other major platforms for automotive classifieds include listings from both private and dealer customers,¹⁰⁹ although there is variation as to the proportion of dealer listings versus private listings. For example, Gumtree has more listings from private sellers, whereas Cox Media has predominantly dealer listings on its platforms.

5.8. Dealers using an automotive classifieds platform to list cars typically use lead management software which facilitates the management of dealer inventory, tracks listings and views, and facilitates dealers managing large volumes of sales and listings. Both Carsales and Autotrader have LMSs for dealers to facilitate dealer listings on their sites. However, it is also possible for dealers to use third party lead management software that provides the functionality offered by other platforms.¹¹⁰

¹⁰⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 58.

¹⁰⁶ CONFIDENTIAL: [REDACTED]

¹⁰⁷ Submission from Gumtree, 28 March 2020, p. 5.

¹⁰⁸ Submission from Gumtree, 28 March 2020, p. 5.

¹⁰⁹ Submission from Carsales, 27 March 2020, p. 16.

¹¹⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 98-99.

The use of third party lead management software facilitates platforms being able to offer classifieds services to both private and dealer sellers.

- 5.9. The ACCC considers that private sellers are unlikely to have particularly sophisticated needs when using a platform to sell a vehicle. The infrequent and low volume of vehicles listings mean that private sellers do not tend to need or use the additional services that are provided to dealers when they list vehicles on automotive classifieds platforms.¹¹¹
- 5.10. The ACCC considers that suppliers to one segment of the market (dealers or private sellers) are likely to be able to quickly and easily commence supplying services to the other segment of the market without significant investment or changes in their assets. The ACCC considers that a platform which exclusively serves the dealer or private segment of advertisers can use their existing IT, brand recognition and existing audience to facilitate the expansion into the other segment of the market.
- 5.11. On the basis of the above analysis and information provided by industry participants, the ACCC considers there is sufficiently close supply-side substitution between online automotive classified advertising for private listings and dealer listings such that they should be considered to form part of the same market. However, the ACCC understands that the private sellers and dealers form two distinct segments of the market based on the significantly different prices charged by online automotive classified advertising platforms. The ACCC has therefore considered the potential competitive impact of the Proposed Acquisition on each of private and dealer customers.
- 5.12. All of the major platforms for online automotive classifieds advertising provide services on a national basis. The ACCC did not receive any information indicating that competition between platforms varied between states or any other geographic regions. The ACCC therefore considers that the appropriate geographic scope of the market is national.

National market for the supply of online display advertising on digital automotive content providers

- 5.13. The ACCC considers that it is likely that there is a national market for online display advertising on digital automotive content providers (i.e. automotive classified platforms as well as other sources of online automotive content), and has assessed the competitive effect in this context.
- 5.14. As a starting point, the ACCC assessed the overlap between the parties in their supply of online display advertising. Gumtree provides online display advertising on its classified platform, in particular, on its automotive classified platform. Cox Media provides online display advertising on its automotive classified platform (Autotrader) and its automotive editorial content (Carsguide). Gumtree does not provide automotive editorial content on its platform. While display advertisements may appear on a classified platform, they are separate to the classified advertisements and will often appear as banners on a classified page.
- 5.15. Both Gumtree and Cox Automotive consider that assessing the transaction in the context of a national market for the supply of online display advertising on automotive classified platforms is too narrow a market. Gumtree and Cox Automotive consider

¹¹¹ Submission from Gumtree, 28 March 2020, p. 4.

that the appropriate market is a national market for the supply of online display advertising.¹¹²

- 5.16. There are two models of selling display advertising space that are used by the parties. Direct advertising is predominantly done directly between the advertiser or the advertising agency and the platform (such as Gumtree or Cox Media) which is selling display advertising space. Programmatic advertising refers to the means by which display advertising space is sold through platforms, such as Google Ad Exchange, which utilises data (such as user viewing history data) to deliver relevant advertisements to a specific viewer. Consequently, the advertising that is delivered to viewers may not be automotive related.¹¹³
- 5.17. Gumtree and Cox Media also consider that acquirers of online automotive display advertising have a number of options available to them, including on other automotive classified sites, automotive editorial sites, and other non-automotive specialist platforms such as Facebook and Instagram.¹¹⁴
- 5.18. The ACCC considers it is likely that advertisers placing direct advertisements on the Gumtree or Cox Media platforms value the opportunity to strategically target advertisements at users of sites featuring automotive content. These sites are likely to include automotive classifieds sites as well as other sources of automotive content such as automotive editorial content. Cox Automotive considers that its key competitors in supplying online automotive display advertising include Carsales, CarAdvice/Drive and WhichCar.¹¹⁵ The ACCC considers that this is consistent with other confidential information gathered in the course of its review.¹¹⁶
- 5.19. The use of programmatic advertising by many platforms (including Gumtree) means that advertisements are sold based on a range of potential information and data (including the viewer's browsing history). Contextual information (such as the site that the viewer is currently on) is therefore not the only information that advertisers may take into account. The ACCC considers that this is supported by confidential information gathered in the course of its review,¹¹⁷ and that as a result, advertisers using programmatic advertising can use other websites to target particular viewers with automotive advertisements.
- 5.20. The ACCC considers that there are a subset of advertisers for whom the ability to advertise on sites that provide digital automotive content is likely to be particularly important, however, there is likely to be a broader constraint from other websites that offer online display advertising space via programmatic advertising platforms. The ACCC has therefore considered the Proposed Acquisition in the context of:
 - a national market for the supply of online display advertising on digital automotive content providers; and
 - a broader national market for the supply of online display advertising.

¹¹² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 58; Submission from Gumtree, 28 March 2020, p.23; Submission from Cox Automotive, 27 March 2020, p. 5.

¹¹³ Submission from Gumtree, 28 March 2020, pp. 23-24.

¹¹⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 78; Submission from Cox Automotive, 27 March 2020, pp. 5-6.

¹¹⁵ Submission from Cox Automotive, 27 March 2020, p. 2.

¹¹⁶ CONFIDENTIAL: [REDACTED]

¹¹⁷ CONFIDENTIAL: [REDACTED]

5.21. However, the ACCC does not consider that the precise definition of the market is likely to significantly alter the competition assessment of the Proposed Acquisition.

Market shares

5.22. There are a number of metrics which can be used to measure market shares for online automotive classified advertising, including:

- **share of audience:** audience size and engagement can be derived from a range of measures such as unique views, unique browsers, page impressions and total time on a platform
- **share of inventory:** the number of dealer and private seller automotive classified listings on a platform
- **share of revenue:** the amount of revenue derived from paid automotive classifieds and paid display advertisements.

5.23. However, the nature of the market means there is no single, generally accepted measure for determining market share. Each measure provides slightly different insights and has its own limitations.

5.24. For example, the ACCC considers that audience share, in particular page views and time spent on site, gives sellers an indication of the ability of a platform to attract potential buyers as well as audience engagement. This will influence the attractiveness of the platform to potential sellers.¹¹⁸ However, accurately measuring audience share can be difficult as buyers often search across multiple platforms, resulting in significant duplication of audience across platforms. Further, the inclusion of views/visits to non-automotive classified listings and editorial content, and the different formats of websites, impacts the number of page views.¹¹⁹ In addition, it can be difficult to obtain reliable and consistent data for both website and mobile app use across platforms.

5.25. The inventory of listings provides an indication of how successful a classifieds platform has been in attracting sellers to list vehicles on that platform, which is an important determinant of the platform's ability to attract audience and ultimately revenue. However, due to dealers and private sellers often listing a vehicle on more than one platform (multi-homing), and syndication arrangements between some platforms and Facebook Marketplace, there can be significant inventory overlap between the platforms. Further, inventory size is not necessarily a strong indicator of the competitive constraint platforms place on one-another. For example, one platform may attract a large number of listings despite charging a high price because it has the largest and most engaged audience of buyers and provides sellers with the most leads. Another platform may be able to attract a large number of listings only by offering a low or free price to list vehicles.

5.26. Similarly, while revenue shares provide an indication of the relative success of each platform in converting its audience share into paid advertising, platforms have different business models. Some do not charge some classes of sellers for listings. Others have a model whereby listings can be posted for free but sellers have the option to add a paid feature package to promote their listing. Revenue shares may therefore underestimate the relative strength of competitors with a free to list

¹¹⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 64.

¹¹⁹ Submission from Carsales, 10 February 2020, p.10.

business model. Further, some platforms primarily receive revenue from display advertising rather than directly from classified services.

- 5.27. Accordingly, to obtain a balanced and comprehensive view, the ACCC has taken into account a variety of different market concentration measures to analyse the strength of participants in the market.

Audience

- 5.28. Gumtree submits that since 2018, Carsales has significantly outperformed Gumtree and Cox Media in number of page impressions (views) and total time spent on site, and is the clear market leader in audience share.¹²⁰
- 5.29. Gumtree notes that since late 2018, its audience has been in decline in terms of page impressions, total time spent on site, number of visits and unique audience.¹²¹

Page views

- 5.30. Gumtree submits that, based on SimilarWeb data, which captures website visits, Carsales accounted for approximately 70 per cent of page views (excluding Facebook Marketplace) for the period January – September 2019. According to this data, during this period, Carsales attracted more than three times the number of page impressions on Gumtree and eBay combined, and approximately nine times the page impressions of Carsguide/Autotrader.¹²² See Table 6 below.¹²³

Table 6: Relative strength based on number of page impressions (similarWeb data, September 2019) – excluding Facebook marketplace

Website	Page impressions (millions)	Share of page impressions
Gumtree	298	18.7%
eBay	51	3.2%
Carsguide/Autotrader	120	7.5%
Carsales	1,106	69.5%
Drive	17	1.1%
Total	1,591	100.0%

- 5.31. Gumtree also submits that, based on Nielsen DCR data, which covers both website and app traffic, Carsales accounted for approximately 83 per cent of page views (excluding Facebook Marketplace) for the period January – September 2019.¹²⁴ Based on this data, Carsales attracted more than five times the number of page

¹²⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 68-71.

¹²¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 70.

¹²² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Annexure N, RBB Economics Report, p.29.

¹²³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 68.

¹²⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 69.

impressions on Gumtree and eBay combined, and around thirty times the page impressions of Carsguide/Autotrader.¹²⁵ See Table 7 below.¹²⁶

Table 7: Relative strength based on number of page impressions (Nielsen DCR data for January – December 2019) – excluding Facebook Marketplace

Website	Page impressions (millions)	Share of page impressions
Gumtree	501	12.1%
eBay	86	2.1%
Carsguide/Autotrader	110	2.7%
Carsales	3,414	82.8%
Drive	15	0.4%
Total	4,125	100.0%

- 5.32. The ACCC received confidential data from Gumtree, Cox Media, Carsales and Facebook Marketplace on page views on their platforms.¹²⁷
- 5.33. The ACCC considers that Carsales attracts significantly more page views than Gumtree and Cox Media.¹²⁸

¹²⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Annexure N, RBB Economics Report, p. 85.

¹²⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 69.

¹²⁷ CONFIDENTIAL: [REDACTED]

¹²⁸ CONFIDENTIAL: [REDACTED]

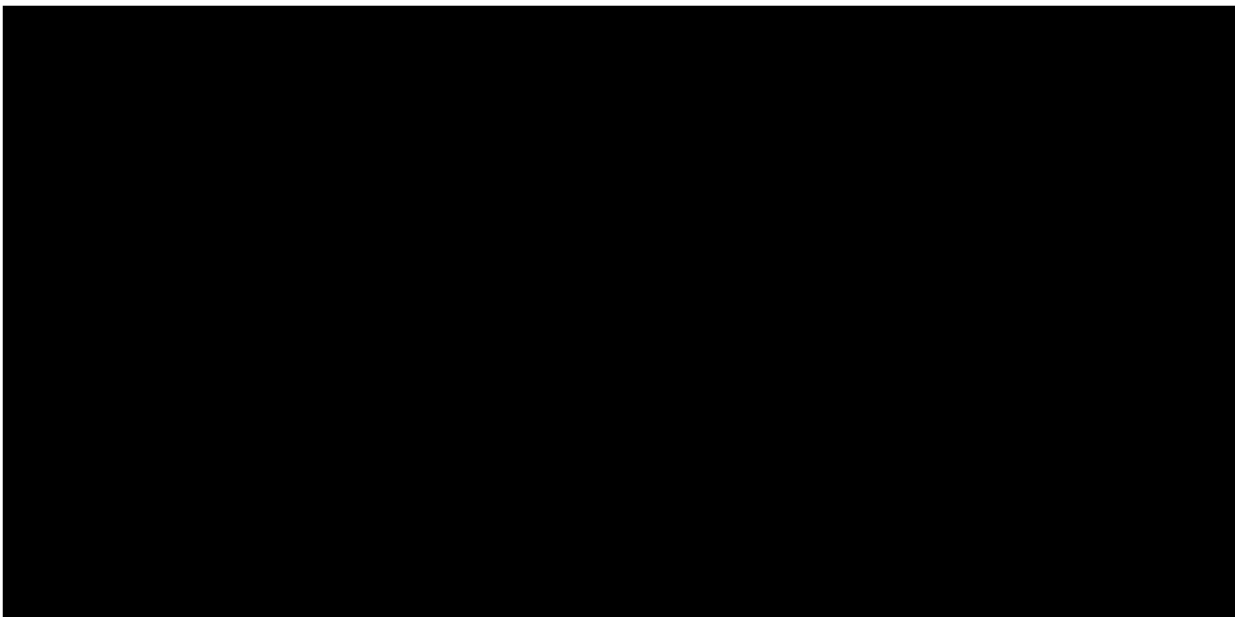
5.34. Facebook Marketplace's audience is not captured by SimilarWeb or Nielsen DCR data. However, Gumtree submits that the impact of Facebook Marketplace's entry can be seen in time series data, which shows that both Gumtree's, and to a lesser extent, Carsales', audience declined following the launch of Facebook Marketplace's 'Vehicles' category.¹²⁹

Time spent on site

5.35. Gumtree submits that Carsales is the market leader in terms of total time spent on site.¹³⁰ Carsales' 2019 Annual Report notes '2.47 x more time spent on carsale.com.au than nearest competitor in Australia'.¹³¹

5.36. Confidential data received from Gumtree, Cox Media and Carsales was also obtained by the ACCC.¹³²

5.37. The ACCC considers that Carsales is the market leader in terms of time spent on site, significantly outperforming Gumtree and Cox Media.¹³³



¹²⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 70.

¹³⁰ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 68-71.

¹³¹ Carsales.com Limited, *2019 Annual Report*, p.7.

¹³² CONFIDENTIAL: [REDACTED]

¹³³ CONFIDENTIAL: [REDACTED]

Inventory/listings

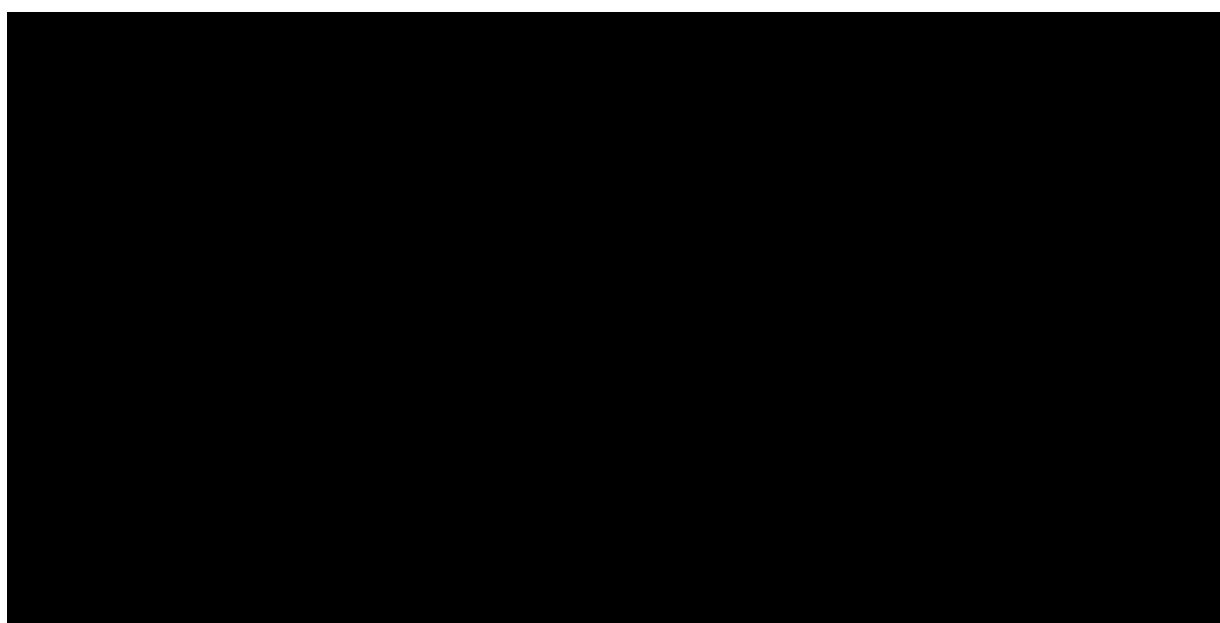
Dealer inventory/listings

- 5.38. Gumtree submits that Carsales is the market leader for dealer listings. Using listings from November 2019, RBB Economics (in a report commissioned by Gumtree) found that Carsales was the clear market leader for dealer listings, with 34 per cent. Carsguide/Autotrader and Gumtree had market shares of 23 per cent and 13 per cent respectively.¹³⁴ See Table 8 below.¹³⁵

Table 8: Dealer listing inventory – November 2019

Website	Number of listings	Share (%)
Gumtree	50,123	12.7%
eBay	2,437	0.6%
Carsguide/Autotrader	90,270	23.0%
Carsales	134,177	34.1%
Facebook Marketplace	61,770	15.7%
Drive	54,438	13.8%
Total	393,215	100.0%

- 5.39. RBB Economics notes that Gumtree's dealer listings fell by 13 per cent across 2017 to 2019, compared to a 7 per cent decrease for Carsguide/Autotrader and a 3 per



¹³⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Annexure N, RBB Economics Report, p.33.

¹³⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 73.

cent fall for Carsales,¹³⁶ and Simon Kucher & Partners (**SKP**) (a consulting firm engaged by Gumtree) found that Cox Media's dealer listings have remained largely flat over the past three years.¹³⁷

- 5.40. The ACCC received confidential inventory data from Gumtree, Cox Media, Carsales and Facebook Marketplace. The ACCC is satisfied that Carsales is the market leader for dealer listings.

Private inventory/listings

- 5.41. Using listings from November 2019, RBB Economic found the following market shares for private listings. See Table 9 below.¹³⁸

Table 9: Private listing inventory – November 2019

Website	Number of listings	Share (%)
Gumtree	78,478	33.6%
eBay	2,072	0.9%
Carsguide/Autotrader	5,792	2.5%
Carsales	71,897	30.8%
Facebook Marketplace	74,353	31.8%
Drive	1,152	0.5%
Total	233,744	100.0%

- 5.42. These data indicate that Gumtree, Carsales and Facebook Marketplace have relatively similar shares of total private listings.
- 5.43. However, Gumtree notes that it has experienced a steady decline in private listings over the last three years,¹³⁹ with listings falling by 17 per cent between 2017 and 2018, and continuing to fall through 2018.¹⁴⁰ Gumtree attributes this decline to Carsales introducing free private listings for vehicles under \$4,999 in January 2017, and the entry of Facebook Marketplace to vehicles in 2018.¹⁴¹
- 5.44. Gumtree submits that the presence of Carsguide/Autotrader in private listings is *de minimis*, accounting for less than 3 per cent of private listings.¹⁴²
- 5.45. As with dealer listings, the ACCC received confidential inventory data on private listings from Gumtree, Cox Media, Carsales and Facebook. The ACCC is satisfied that Gumtree, Carsales and Facebook Marketplace each have a significant share of private listings.

¹³⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Annexure N, RBB Economics Report, p.53.

¹³⁷ Submission from Gumtree, 28 March 2020, p.12.

¹³⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 77.

¹³⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 46.

¹⁴⁰ Submission from Gumtree, 28 March 2020, pp .8-9.

¹⁴¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 22.

¹⁴² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 10.

Revenue

- 5.46. Gumtree submits that Carsales is the market leader in terms of revenue earned from online automotive classifieds, both from dealers and private sellers. RBB Economics found that Carsales accounts for approximately 70 per cent of revenue from dealers, and between 73 per cent and 86 per cent of revenue from private sellers.¹⁴³
- 5.47. Gumtree notes that its revenue from online automotive classifieds has been in decline.¹⁴⁴
- 5.48. The ACCC received confidential revenue information from Gumtree, Cox Media and Carsales.
- 5.49. Based on the information before it, the ACCC is satisfied that Carsales is the clear leader in the market in relation to revenue earned from both dealers and private sellers.¹⁴⁵

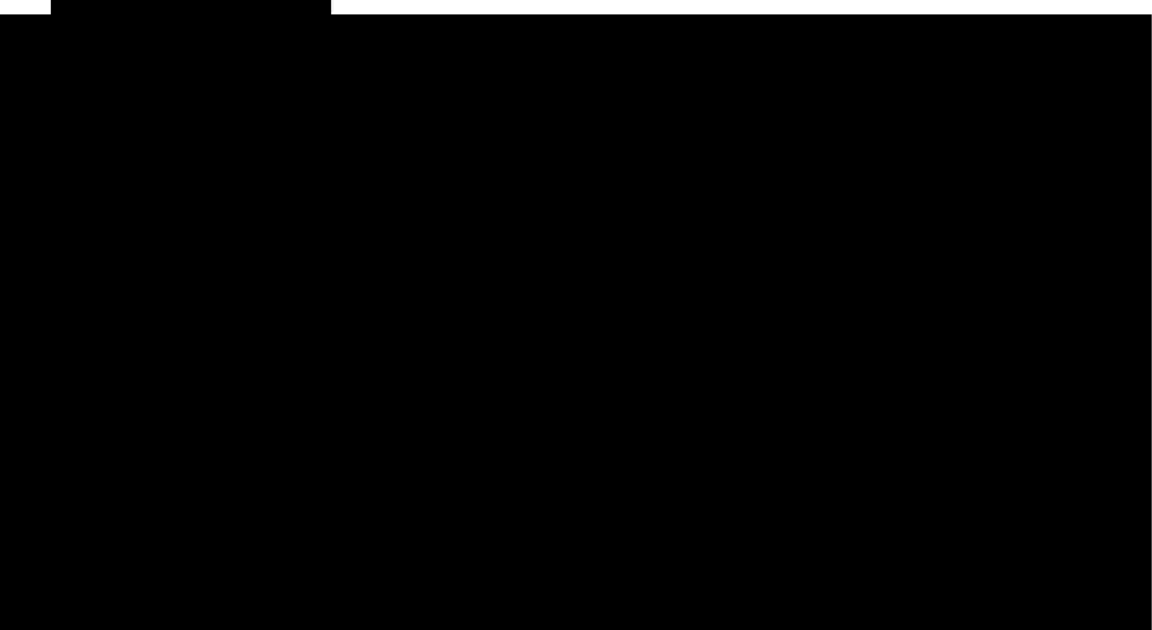
Conclusion on market shares

- 5.50. The ACCC considers that:
- Carsales has the largest and most engaged buyer audience. Carsales' total page views and total time spent on site is significantly greater than Gumtree and Cox Media.
 - Carsales has the largest inventory of total listings, including significantly more dealer listings than its competitors.

¹⁴³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Annexure N, RBB Economics Report, pp .21, 23.

¹⁴⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 7-8.

¹⁴⁵ CONFIDENTIAL: [REDACTED]



- Carsales generates significantly more revenue from both dealer and private seller listings compared with other competitors.
- Facebook Marketplace has entered and expanded in a short period of time to become a major provider of online automotive classifieds advertising.

5.51. These findings are consistent with the anecdotal submissions from dealers, industry associations and competitors in the market.

Competition analysis

Online automotive classified advertising

- 5.52. While there is no single accurate measure of market share, the Proposed Acquisition will significantly increase market concentration and will remove any competition between Gumtree and Cox Media. There are relatively few significant providers of online automotive classified advertising in Australia and the Proposed Acquisition will further reduce the number of options available to dealers and private sellers. While Carsales is a clear market leader, Gumtree and Cox Media are two of the largest providers.
- 5.53. A reduction in the number of competitors in an already concentrated industry, particularly aggregation of two of the largest providers, is generally concerning. However, given the apparent size of Carsales and the growth of Facebook Marketplace, the ACCC has carefully considered the nature of competition between Gumtree and Cox Media and, in the context of the constraint provided by Carsales and Facebook Marketplace in the foreseeable future, whether the loss of competition is likely to be substantial.
- 5.54. Given the significantly different prices offered to dealers compared to private sellers, the ACCC has considered whether the Proposed Acquisition is likely to result in competitive harm to these distinct groups of sellers separately.

Dealer listings

- 5.55. The ACCC is of the view that the Proposed Acquisition is unlikely to substantially lessen competition for the supply of online automotive classified services to dealers. The ACCC considers that Gumtree and Cox Media provide only a limited competitive constraint on each other. Carsales provides a significant competitive constraint and will continue to closely constrain Gumtree post-acquisition such that dealers will continue to have the option to bypass Gumtree post-acquisition in favour of listing exclusively on Carsales.
- 5.56. Further, given the size of Facebook Marketplace's audience, and the fact that dealers can list vehicles for free, Facebook Marketplace is well placed to provide a significant competitive constraint on Gumtree post-acquisition.
- 5.57. The ACCC also considered that the Proposed Acquisition has the potential to enhance competition by creating a more effective competitor to Carsales in the market by combining Gumtree's and Cox Media's audience and listings. However, it was not necessary for the ACCC to reach a concluded view about the likelihood that this would occur.

Carsales

- 5.58. The ACCC is of the view that Carsales is the clear market leader in relation to the supply of online automotive classified services to dealers, in terms of audience share, listings and revenue, and is likely to continue to impose a significant competitive constraint on Gumtree post-acquisition.
- 5.59. Carsales has the largest, most engaged audience, with a significant advantage over Gumtree and Cox Media in terms of both page views and total time spent on the platform. Given online classified advertising is characterised as a two-sided market with significant network effects, the larger and more engaged a platform's audience is, the more valuable it is to dealers. On this basis, Carsales is highly likely to be viewed by dealers as the most valuable platform to list on, as it enables dealers to reach the highest number of potential buyers.
- 5.60. Carsales is also the clear market leader in terms of dealer listings, with a significantly greater number of listings than both Gumtree and Cox Media.
- 5.61. Carsales has been able to leverage its large audience and listings to earn significantly higher revenues from dealers compared to any other competitor. As set out above, Carsales is the market leader in revenue earned from dealer listings. For example, AP Eagers, one of Australia's largest dealer groups, states that across its 229 dealerships supplying new and used vehicles, 84 per cent of total online advertising spend is spent with Carsales, compared to 13 per cent with Cox Media and 3 per cent with Gumtree.¹⁴⁶
- 5.62. Significantly, Carsales has been able to maintain its market leading position in respect of inventory despite charging considerably higher prices to dealers than any other platform in Australia and increasing prices year-on-year at a greater rate than competitors such as Gumtree. Carsales is also the only online automotive platform in Australia with a closed model, where the direct contact details of dealers are not displayed. This means that buyers can only contact the dealer through Carsales, for which dealers are charged a fee, even if it is only to discern whether a dealer is conveniently located.
- 5.63. Carsales prices suggest it is largely unconstrained by other competitors in the market. eBay Group's pricing consultants SKP found from their dealer surveys that although Carsales is 'more expensive, like-for like', dealers consider Carsales to be 'indispensable'.^{147 148}

¹⁴⁶ Submission from AP Eagers, 10 February 2020, p. 2.

¹⁴⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, Confidential Annex O, SKP Report, p.10; Submission from Gumtree, 28 March 2020, p.8.

¹⁴⁸ CONFIDENTIAL: [REDACTED]

- 5.64. Given the prevalence of multi-homing by dealers, the ACCC considered whether Gumtree and Cox Media focussed on competing against each other to be dealers' preferred number two option (behind Carsales) or alternatively, whether they focussed on their value relative to Carsales.
- 5.65. The ACCC is of the view that Carsales is currently the closest competitor and strongest competitive constraint on both Gumtree and Cox Media.¹⁴⁹ Most dealers, and their representatives, consider Carsales to be a 'must have' automotive classified platform to list on to sell vehicles.¹⁵⁰ Given the size and market position of Carsales, dealers generally do not need to list on another platform to sell their vehicles, and so dealer spend on alternative platforms like Gumtree and Carsguide/Autotrader can be considered relatively discretionary.
- 5.66. Rather than directly competing against each other to be the second platform a dealer lists on, platforms such as Gumtree or Carsguide/Autotrader will generally only be considered if a dealer has advertising spend remaining after listing on Carsales, and the platform provides value for money relative to Carsales.
- 5.67. On this basis, as well as other confidential material provided, the ACCC considers that Gumtree and Cox Media provide only a limited competitive constraint on each other. Carsales provides a significant competitive constraint and will continue to closely constrain Gumtree post-acquisition such that Gumtree will not be able to increase prices without also substantially increasing the audience and audience engagement it delivers to dealers. Dealers will continue to have the option to bypass Gumtree post-acquisition in favour of exclusively listing on Carsales and Gumtree will need to provide sufficient value to dealers in order to be considered a worthwhile alternative to Carsales or as a secondary platform to multi-home listings.



¹⁴⁹ CONFIDENTIAL: [REDACTED]
and CONFIDENTIAL: [REDACTED]

¹⁵⁰ CONFIDENTIAL: [REDACTED]

Facebook Marketplace

- 5.68. Facebook Marketplace is a recent entrant and growing competitor in the supply of online automotive classified services to dealers, and is likely to impose a competitive constraint on Gumtree post-acquisition.
- 5.69. Facebook Marketplace launched its 'Vehicles' category in November 2018¹⁵¹ and has quickly grown its automotive inventory, most significantly in relation to private sellers (discussed below).
- 5.70. However, Facebook Marketplace has also had an impact on the dealer segment, with its dealer listings already exceeding those of Gumtree (see Table 9 (private listings) above). Gumtree considers that Facebook is a significant competitor for dealer listings,¹⁵² and this view is shared by the Australian Automotive Dealer Association.¹⁵³
- 5.71. Facebook has a strong brand name and large user base of more than 17 million people in Australia.¹⁵⁴ Facebook has been able to leverage its audience size and reach to rapidly grow dealer listings on Facebook Marketplace, as access to such a large audience is highly valuable to dealers.
- 5.72. The ACCC notes that Facebook Marketplace vehicles' model currently differs from some of the other platforms. As set out above, many of its listings are syndicated from competing platforms (including Carsales, Autotrader, Drive, and Trading Post), although dealers can also list directly on Facebook Marketplace for free, either through an aggregator or by listing themselves. Facebook Marketplace also does not currently offer additional dealer services (such as inventory, DMS, data aggregation and LMS services).¹⁵⁵
- 5.73. The ACCC has therefore not concluded whether Facebook Marketplace is currently a close competitor to Gumtree or Cox Media, and notes that its position in Australian online automotive classified advertising is continuing to play out. Nonetheless, given the size of Facebook Marketplace's audience, and the fact that dealers can list vehicles for free, Facebook Marketplace is currently well placed in the market to provide a significant competitive constraint on Gumtree post-acquisition. This competitive constraint is only likely to increase as Facebook Marketplace matures as a competitor.

Barriers to entry and expansion

- 5.74. Gumtree submits that there is a real threat of entry by new competitors into the supply of online automotive classified services to dealers in Australia and that this threat will further constrain Gumtree post-acquisition. Gumtree notes that CarGurus, a US based online automotive classified platform, recently successfully entered the UK market, and could look to enter Australia. Gumtree also suggests that technology companies such as Google and Amazon could attempt to enter the market.¹⁵⁶
- 5.75. Despite the success of CarGurus in expanding into non-US markets, the ACCC is of the view that barriers to entry and expansion to the supply of online automotive

¹⁵¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 43.

¹⁵² CONFIDENTIAL: [REDACTED]

¹⁵³ Submission from the Australian Automotive Dealer Association, 17 February 2020, p. 6.

¹⁵⁴ Nielsen Digital Panel, February 2019, cited in ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 77.

¹⁵⁵ Submission from Facebook, 19 March 2020, p.2.

¹⁵⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 54.

classified advertising services to dealers are relatively high and incumbent suppliers do not appear to be constrained by the threat of new entry. The two sided nature of the market and the associated network effects have important implications for barriers to entry and expansion. Specifically, in markets with network effects, new entrants will face difficulties in achieving the necessary 'critical mass' to enter successfully.

- 5.76. To overcome barriers arising from network effects, a new entrant would need to invest significantly in marketing and brand awareness to attract new dealers and buyers. The significant investment in marketing is a sunk cost with no guarantee of success.
- 5.77. This is particularly the case in Australia, where there is a clear market leader in terms of audience, listings and revenue in Carsales.
- 5.78. Facebook Marketplace is the only recent entrant into the market. As outlined above, Facebook is uniquely placed to enter due to its position as a dominant social media platform in Australia which has allowed it to overcome the otherwise significant barriers to entry and expansion.
- 5.79. On this basis, the ACCC considers that Gumtree is unlikely to be constrained by the threat of new entry post-acquisition.

Proposed Acquisition unlikely to substantially lessen competition

- 5.80. While Gumtree's Proposed Acquisition of Cox Media will remove one of the five major competitors in what is a relatively concentrated market, the ACCC is of the view that the Proposed Acquisition is unlikely to substantially lessen competition for the supply of online automotive classified services to dealers.
- 5.81. As set out above, Carsales is the market leader in terms of audience, listings and revenue. While Gumtree and Cox Media compete to a limited extent, Carsales is the strongest and closest competitor to both Gumtree and Cox Media, and is likely to provide a significant competitive constraint on Gumtree post-acquisition.
- 5.82. The Proposed Acquisition may enable Gumtree to reposition its offering in terms of the pricing model it adopts, the level of service it provides dealers and the audience engagement it is able to achieve. However, Gumtree will need to provide sufficient value to dealers in order to be considered a worthwhile alternative to Carsales or as a secondary platform to multi-home listings. The ACCC therefore considers that Gumtree will not be able to increase prices without also substantially improving the number or quality of leads it provides.
- 5.83. Facebook Marketplace is also a growing competitor that is likely to provide a competitive constraint on Gumtree in the future.

Creation of a more efficient competitor

- 5.84. As discussed above, the ACCC is of the view that Gumtree and Cox Media exert only limited competitive constraint on each other, and that Carsales in particular will provide a significant competitive constraint on Gumtree post-acquisition, such that the removal of Cox Media from the market is unlikely to substantially lessen competition.
- 5.85. The ACCC also considered the possibility that the Proposed Acquisition may enhance competition by potentially creating a more effective competitor to Carsales.

- 5.86. As online classified advertising is characterised as a two-sided market with significant network effects, a platform becomes more valuable to users (both sellers and buyers) the greater the number of users on the other side of the platform.
- 5.87. The Proposed Acquisition will combine Gumtree's platform, with its relative strength in private seller listings, and the Carsguide/Autotrader platforms, with its relative strength in dealer listings.¹⁵⁷ This will immediately increase Gumtree's listings post-acquisition, making the platform more attractive to buyers.
- 5.88. Further, by cross-listing on the three platforms, Gumtree will increase the audience for each dealer listing, making the platform more attractive to dealers.¹⁵⁸
- 5.89. These increases in listings and audience may improve Gumtree's ability to attract even more users to its platform and may ultimately increase its ability to generate leads for sellers. An increase in the number of leads generated by the platform would increase its value to dealers and, if successful, would position the merged entity as a more credible alternative to Carsales.
- 5.90. The creation of a more credible alternative to Carsales would benefit dealers by:
- providing them with an alternative source of leads which (based on the prices of Gumtree and Cox Media) would be significantly cheaper than those generated through Carsales;
 - providing more dealers with the option to bypass Carsales which would place greater competitive pressure on Carsales to reduce prices or limit price increases in the future.
- 5.91. eBay acquired Motors.co.uk in 2019 and launched a joint eBay/Gumtree/Motors.co.uk proposition in January 2020, where vehicles are cross-listed on all three platforms.¹⁵⁹ Gumtree submits that the joint proposition has enhanced competition and is instructive in terms of the effect the Proposed Acquisition could have in Australia. It submits that the joint proposition has increased leads for dealers, reduced the price per lead for dealers, and attracted new dealers to the platform.¹⁶⁰
- 5.92. The ACCC considers that there is potential for the Proposed Acquisition to have a similar pro-competitive effect in Australia. However, given the ACCC's view that the Proposed Acquisition is not likely to substantially lessen competition, it is not necessary to form a concluded view of whether the Proposed Acquisition is likely to lead to a more vigorous and effective competitor.

Coordinated effects

- 5.93. The ACCC has considered whether the Proposed Acquisition would reduce competition by increasing the ability and incentive of Gumtree to coordinate with competing providers of online automotive classified advertising post-acquisition.

¹⁵⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 25.

More than 90 per cent of listings on the Carsguide and AutoTrader websites are dealer listings. By contrast, less than 40 per cent of Gumtree listings are dealer listings (Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p.75).

¹⁵⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 25-26.

¹⁵⁹ Submission from Gumtree, 28 March 2020, pp.15-16.

¹⁶⁰ Submission from Gumtree, 28 March 2020, pp.15-16.

- 5.94. A coordination theory of harm has been considered because the Proposed Acquisition will likely result in the vast majority of the market being serviced by only two or three major competitors (Gumtree, Carsales and Facebook Marketplace).
- 5.95. The ACCC considers the risk of coordination as a result of the Proposed Acquisition to be low, having regard to a range of factors, including those set out below.
- 5.96. The ACCC's inquiries with market participants revealed that Carsales is often seen as a 'must have' online automotive classified advertising platform for dealerships. Some dealers consider that Carsales sets prices and some non-price terms (such as operating a closed model¹⁶¹) in a manner which suggests it is not competitively constrained by Gumtree, Cox Media or Facebook Marketplace. If Carsales is considered to behave like a monopolist, it would have nothing to gain from attempting to coordinate with the merged entity as a coordinated outcome is likely to be less profitable for Carsales than its current prices, terms and market share. Furthermore, as noted above, the ACCC has not reached a view on whether Gumtree will become a more efficient and vigorous competitor to Carsales in the future and impact its status as a must-have platform.
- 5.97. Assuming that the merged entity will adopt either Gumtree or Cox Media's current pricing models, Carsales and the merged entity will have different pricing models. As noted in more detail above, Carsales charges dealers on a per-lead basis, while Gumtree and Cox Media charge on a subscription and per-view model respectively. These different pricing models make coordination on a tacitly agreed price difficult as these different pricing models are not easily comparable. It is possible that pricing models could converge in the future if, for example, Gumtree were to adopt a per-lead model like Carsales. However, the ACCC has no reason to believe that Gumtree would move to a per-lead pricing model following the Proposed Acquisition.
- 5.98. The ACCC also found evidence of some discounting of advertised prices by at least one online automotive classified advertising provider. Ad-hoc discounting reduces price transparency between suppliers which makes reaching a coordinated outcome more difficult.
- 5.99. There is also no clear way in which Carsales and Gumtree could reach an agreement to share audiences, such as by tacitly directing or forcing some customers to only use Carsales and others to only use Gumtree. This is made particularly difficult given evidence which suggests that the vast majority of buyers are likely to search multiple online automotive classified advertising platforms on their car buying journey.¹⁶² Audience share and engagement is relevant in this market given that Carsales and Cox Media charge on a per lead and per view basis respectively.
- 5.100. Having regard to the prevalence of multi-homing by dealers, there is no clear way in which Carsales and the merged entity could reach an agreement to share the number of dealers or listings.
- 5.101. Facebook Marketplace is emerging as a major competitor. The emergence of Facebook as a provider of online automotive classified advertising in its own right, specifically as an option which dealers may use directly or through third party data aggregators, rather than through syndication, would significantly undermine the ability of Carsales and Gumtree to reach a coordinated outcome post-acquisition. Given Facebook's significantly different operating model (earning revenue through display

¹⁶¹ A model where the direct contact details of dealers are not displayed, meaning that buyers can only contact the dealer through Carsales, for which dealers are charged a fee, even if it is only to discern whether a dealer is conveniently located.

¹⁶² CONFIDENTIAL: [REDACTED]

advertising rather than listing fees), the ACCC considers it would have no incentive to coordinate with Carsales and Gumtree.

5.102. Concerns of coordination were not raised by any industry participants.

5.103. Having regard to all of the above factors, as well as coordination concerns not being raised by industry participants, the ACCC concludes that the likelihood of the Proposed Acquisition resulting in coordination in the online automotive classified advertising market is low.

Private listings

5.104. The ACCC considers that the Proposed Acquisition is unlikely to result in a substantial lessening of competition in relation to the supply of automotive classifieds to private sellers

5.105. Gumtree submits that it and Cox Media are strongly constrained by Carsales, which accounts for 75 per cent of market revenue and Facebook Marketplace, which has more than 30 per cent of listings.¹⁶³ It also submits that there is limited overlap between Gumtree and Cox Media in this segment. It submits that Cox Media's presence in this segment is *de minimus* and accounts for less than 3 per cent of private listings.¹⁶⁴

5.106. Information and data received by the ACCC generally supports Gumtree's submission.¹⁶⁵

¹⁶³ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 76.

¹⁶⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 76.

¹⁶⁵ CONFIDENTIAL: [REDACTED]

[REDACTED]

Other competitors

- 5.107. The ACCC considers that Gumtree, Carsales and Facebook Marketplace all compete more closely and more strongly with each other for private sellers than Cox Media.
- 5.108. Table 9 above¹⁶⁶ shows the number of private listings on various online classified platforms in November 2019. Table 9 and analysis by the ACCC¹⁶⁷ demonstrates that Carsales, Gumtree and Facebook Marketplace have broadly similar numbers and proportions of private listings and are each-other's closest competitors. Cox Media has a significantly smaller market share and is a relatively weak competitor for private listings in Australia.
- 5.109. As noted above, the 'Vehicles' category of Facebook Marketplace has quickly expanded since its launch in November 2018.¹⁶⁸ The impact of Facebook Marketplace's entry can be seen most significantly in relation to private sellers, where it has captured a significant share of listings. Its entry is viewed by Gumtree as a key factor in Gumtree's declining private seller listings post-November 2018.¹⁶⁹ The ACCC considers that Facebook Marketplace is likely to continue to constrain Gumtree post-acquisition.
- 5.110. Carsales is also a significant competitor for private listings that is likely to constrain Gumtree post-acquisition. Carsales is the clear market leader in terms of page views, and has similar private seller listings inventory to Gumtree.
- 5.111. For example, Gumtree submits that its private listings started to decline following:
- Carsales' changes to its private offering, to remove charges for vehicles below \$4,999,¹⁷⁰ and
 - the entry of Facebook Marketplace in late 2018 with a further free offering.¹⁷¹
- 5.112. The stated decline in Gumtree's private listings following these events¹⁷² suggests that Carsales and Facebook Marketplace are significant constraints on Gumtree.

Barriers to entry

- 5.113. The ACCC considers that barriers to entry for the supply of automotive classifieds to private sellers is the same as outlined above in relation to the provision of automotive classifieds to dealers. Accordingly, the ACCC does not consider that Gumtree is likely to be constrained by the threat of new entry post-acquisition.

Conclusion

- 5.114. The ACCC considers that the loss of competition in relation to private listings as a result of Gumtree's acquisition of Cox Media is unlikely to have a significant effect on competition for private listings.

¹⁶⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 77.

¹⁶⁷ CONFIDENTIAL: [REDACTED]

¹⁶⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 43.

¹⁶⁹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 22.

¹⁷⁰ Carsales introduced free listings for cars below \$3,000 in November 2015 and increased the threshold to \$4,999 in January 2017.

¹⁷¹ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 22.

¹⁷² Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 22.

- 5.115. While the Proposed Acquisition will remove the chance of Cox Media improving and expanding its offering to private sellers in closer competition with Gumtree, given close competition between Gumtree, Carsales and, increasingly, Facebook Marketplace, the ACCC considers that this loss of potential competition is unlikely to be substantial.
- 5.116. Post-acquisition, Gumtree will continue to face commercial incentives to improve its service. Any decline in Gumtree's service quality would likely see it lose private sellers to Facebook Marketplace or Carsales. Accordingly, Gumtree will continue to be strongly constrained on service quality post-acquisition.

Online display advertising on automotive classified platforms

- 5.117. In its 'Digital Platforms Inquiry: Final Report' the ACCC explains that display advertisements are online advertising other than search and classifieds ads. They can be made up of different visual elements such as text, images, animations, and video that appear alongside website content. For example, a display ad may appear as an image at the top or next to content on a website (this is often referred to as a banner ad).¹⁷³
- 5.118. In its Statement of Preliminary Views, the ACCC noted that market inquiries indicate that the main acquirers of display advertising on automotive content and classified platforms are car manufacturers, insurers, financiers and other advertisers advertising automotive related goods and services.¹⁷⁴ Gumtree submits that display advertising on the Gumtree and Cox Media platforms relate to a much wider range of goods and services than just automotive, with the placement of advertisements driven by the preferences and usage patterns of the individual site-users (through the use of cookies, browser history, and other user data), as much as the content of the platforms themselves.¹⁷⁵
- 5.119. Gumtree submits that this is because Gumtree and Cox Media place display advertising for a wide range of goods and services, while acquirers of online automotive display advertising (including car manufacturers, insurers and financiers) have many options to advertise their products, including editorial sites and non-specialist automotive websites.¹⁷⁶ Cox Automotive's submission makes a similar point that automotive related businesses can connect with potential buyers via a broad range of digital advertising.¹⁷⁷
- 5.120. Cox Automotive also submits that there is no basis on which display advertising on automotive classified platforms can be distinguished from display advertising on other automotive specific sites (for example, editorial sites such as CarAdvice and WhichCar).¹⁷⁸
- 5.121. Gumtree submits that if the ACCC were to find that there is a market for the supply of online display advertising on automotive classified platforms, there would not be any substantial lessening of competition in that market. It asserts that most of the display advertising on the Gumtree platform does not relate to automotive-related content, meaning that there would be minimal overlap with the Cox Media platforms. It also

¹⁷³ ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 123.

¹⁷⁴ ACCC, *Statement of Preliminary Views*, 16 March 2020, p. 8.

¹⁷⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 78.

¹⁷⁶ Submission from Gumtree, 28 March 2020, p. 23.

¹⁷⁷ Submission from Cox Automotive, 27 March 2020, p. 2.

¹⁷⁸ Submission from Cox Automotive, 27 March 2020, p. 5.

submits that it has experienced sharp declines in its display advertising revenue which demonstrates its weak position in the market.¹⁷⁹

5.122. Gumtree submits that regardless of the way the market is ultimately defined, Gumtree will continue to be constrained in any market for display advertising by Google, through which most advertisements are placed, and Facebook, which has significantly grown its presence in digital display advertising in recent years at the expense of platforms like Gumtree.¹⁸⁰

Direct v programmatic

5.123. The ACCC understands that display advertising space can generally be sold via two methods:

- Direct – where the platform operator and the advertiser deal directly with each other¹⁸¹ or via an advertising agency. Under this model the platform operator has more control over the types of advertisements and products that are displayed on its platforms and the advertiser has more control over the type of platforms where its advertisements are displayed. These deals are negotiated in advance of advertisements being served to users. This is in contrast to programmatic advertising where the transaction occurs at the point in time where a user has an opportunity to see an advertisement.
- Programmatically – Programmatic advertising is the automated buying, selling and serving of advertising, which occurs in real time and allows advertisers, websites and intermediaries to utilise various data sources for targeting users. It involves the use of ad tech to facilitate the advertising process.¹⁸² Data that could be used includes things such as the viewer’s online history (previous search and viewing behavior).

5.124. Direct sales involves a relationship between the platform operator and the advertiser or advertising agency, rather than the use of a digital intermediary. The ACCC understands that generally advertisements that appear on editorial pages are more likely to arise from direct advertising and advertisements on classified pages are more likely to arise from programmatic advertising.¹⁸³

5.125. Gumtree submits that it mostly sells its display advertising space via programmatic platforms. Gumtree submits that the use of programmatic advertising leads to an outcome where in most cases the advertisement displayed on the Gumtree Cars site is not automotive-related.¹⁸⁴

¹⁷⁹ Submission from Gumtree, 28 March 2020, p. 27.

¹⁸⁰ Submission from Gumtree, 28 March 2020, p. 27.

¹⁸¹ CONFIDENTIAL: [REDACTED]

¹⁸² ACCC, *Digital Platforms Inquiry - Final Report*, 26 July 2019, p. 123.

¹⁸³ CONFIDENTIAL: [REDACTED]
CONFIDENTIAL: [REDACTED]

¹⁸⁴ Submission from Gumtree, 28 March 2020, p. 23. CONFIDENTIAL: [REDACTED]

Industry developments

- 5.126. There have been a number of recent developments impacting the use and type of display advertisements, including the increased use of mobile devices at the expense of desktop devices.¹⁸⁵ The use of mobile devices, which tend to offer smaller screen space than desktop devices, means that there is less 'real estate' on which to display advertisements, so less advertising opportunities.¹⁸⁶
- 5.127. There is also an increasing use of video in display advertising and automotive products are especially suited to video advertisements¹⁸⁷ which are able to show the dynamic and emotionally appealing aspects of motor vehicles. This increased use of video has been at the expense of traditional banner type advertising.
- 5.128. A further development has been the increase in the use of native advertising, which is advertising that matches the look and feel of the media platform it appears on, so as to appear less like advertising. Native advertising is also referred to as sponsored content, as the advertiser sponsors content about its products that on their face appear to be ordinary content, or advertorial, as it is a combination of an advertisement and editorial.
- 5.129. Native advertising is consistent with editorial content as it is considered to be a format that is unique to publishers and forms a natural part of the editorial user experience. For example, OEMs can sponsor content such as reviews of their vehicles or overall brand strategy. However, it is less consistent with pure classified advertising, as the classifieds model offers limited scope to embed this type of advertising¹⁸⁸ and is more consistent with the banner advertisement approach.
- 5.130. Each of these developments has impacted the traditional display advertising approach¹⁸⁹ as well as profitability.¹⁹⁰

Editorial and classifieds

- 5.131. Cox Media offers broader advertising opportunities than Gumtree. Gumtree operates solely as a provider of classified services, offering display advertising within its search results. Cox Media operates in a horizontal fashion, offering a classified service as well as editorial content focused on the automotive industry, covering topics such as industry news, car reviews and buying guides.
- 5.132. The Cox Media approach provides for display advertising opportunities on both of its formats: classifieds pages as well as editorial pages.¹⁹¹

¹⁸⁵ CONFIDENTIAL: [REDACTED]

¹⁸⁶ CONFIDENTIAL: [REDACTED]

¹⁸⁷ CONFIDENTIAL: [REDACTED]

¹⁸⁸ CONFIDENTIAL: [REDACTED]

¹⁸⁹ CONFIDENTIAL: [REDACTED]

¹⁹⁰ CONFIDENTIAL: [REDACTED]

¹⁹¹ CONFIDENTIAL: [REDACTED]

5.133. The ACCC notes that the content of the site (classifieds pages or editorial pages) may influence the proportion of direct compared with programmatic advertising.

Competition assessment

5.134. The ACCC considers that the Proposed Acquisition is unlikely to substantially lessen competition in the supply of display advertising in any market:

- Gumtree and Cox Media do not compete closely in the sale of online display advertising¹⁹²
- Gumtree would continue to be constrained by a range of alternative direct sellers of online automotive display advertising space post-acquisition
- Gumtree would continue to be constrained by the broad range of sellers of programmatic advertising space post-acquisition.

5.135. As discussed in section 5.13 to 5.21 above, the ACCC has considered the Proposed Acquisition in the context of:

- a national market for supply of online display advertising on digital automotive content providers; and
- a broader national market for the supply of online display advertising.

5.136. The ACCC considers that if there is unlikely to be a substantial lessening of competition in the narrower market, then there is also unlikely to be a substantial lessening of competition in either of these markets.

5.137. Gumtree and Cox Media both have relatively low market shares in the supply of display advertising, even in the narrowest possible market of businesses offering automotive classified services.¹⁹³

Editorial content

5.138. Because Gumtree does not offer any editorial content, there is no overlap between the parties in this content format.¹⁹⁴ The ACCC has no reason to believe that Gumtree would commence providing editorial content independently in the absence of the Proposed Acquisition.

5.139. It is likely that advertisers, largely OEMs, that choose to advertise on editorial sites are likely to consider other sites with editorial content as closer substitutes to Cox Media's platforms than Gumtree. There are a number of alternative sites that publish editorial content on the automotive industry, including Drive/CarAdvice, Carsales, GoAuto, newspapers, websites linked to automotive magazines (such as WhichCar/Wheels) and other web based sites.

¹⁹² CONFIDENTIAL: [REDACTED]
[REDACTED]
[REDACTED] CONFIDENTIAL: [REDACTED]
[REDACTED]
[REDACTED]

¹⁹³ CONFIDENTIAL: [REDACTED]
[REDACTED]
[REDACTED]

¹⁹⁴ CONFIDENTIAL: [REDACTED]
[REDACTED]
[REDACTED]

5.140. Accordingly, in view of the lack of overlap between Gumtree and Cox Media, and the number of alternative editorial content sites available to advertisers, the ACCC considers that it is unlikely that the Proposed Acquisition will have any effect on display advertising within editorial content.

Classifieds

5.141. Gumtree and Cox Media both sell advertising on their classifieds platforms via direct and programmatic advertising.

5.142. The ACCC understands that programmatic advertising operates in such a way that the advertising is targeted at the particular user and not just the particular site or platform. As such, platforms using programmatic advertising will be competing against a range of platform operators covering a variety of different services and products for those advertisements. This competition will act to constrain Gumtree post acquisition, as it will continue to compete with multiple platforms selling programmatic opportunities, not just automotive classifieds platforms.

5.143. Cox Media has a large proportion of automotive related display advertising because of its OEM relationships.¹⁹⁵ However, these automotive advertisers have a range of alternative options, including dedicated automotive content platforms, such as Carsales, Drive, Bauer and broader non-automotive content providers. Accordingly, it is unlikely that Gumtree will be able to increase its prices for display advertising post-acquisition.

Links between Cox Media and other Cox Automotive businesses

5.144. As noted at paragraph 3.4, Cox Media is currently one of three divisions of Cox Automotive. One of the other Divisions of Cox Automotive, which is not part of the Proposed Acquisition, is Dealer Solutions, which offers dealer platforms and services.

5.145. All dealer listings on Carsguide and Autotrader are currently received through Dealer Solutions. That is, Dealer Solutions acts as a conduit for publishing listings on Carsguide and Autotrader. Cox Media has direct agreements with all the dealers that list on Carsguide/Autotrader that specify the applicable listing fees for the dealer.¹⁹⁶

5.146. Services offered by Dealer Solutions to dealers include:

- DMS: including car history reports, an accounting system, an invoicing facility and cost calculation features.
- Data aggregation and publication: Dealer Solutions will pull inventory data from a dealer's DMS and 'purify' it so that it is in a form that is able to be listed onto an online automotive classified platform. Dealer Solutions will then publish the listing onto the Carsguide/Autotrader platforms, and send it to third party platforms for publication.
- LMS: captures leads from multiple online advertising sources and allows dealer advertisers to manage them on the system through a number of features.
- Marketing services: digital marketing, website and photography services, and managing Facebook campaigns.¹⁹⁷

¹⁹⁵ Submission from Gumtree, 28 March 2020, p. 26.

¹⁹⁶ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, p. 49.

¹⁹⁷ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 50-51.

- 5.147. Some other businesses that operate automotive classified platforms also operate businesses that offer similar services to those of Dealer Solutions. For example, Carsales operates DataMotive, which provides a range of services to dealers including data aggregation and LMS and also provides publishing services to Carsales. Gumtree does not provide equivalent services.¹⁹⁸
- 5.148. Concerns have been raised through the ACCC's market inquiries process about two aspects of the operation of 'vertically integrated' businesses that offer dealers both online automotive classified advertising services and other services such as those noted above.
- In managing dealers' inventory of listings, Dealer Solutions could favour the Carsguide/Autotrader (and post-acquisition, Gumtree) platform over platforms operated by third parties. This could potentially include refusing to send listings from its dealer customers to third party platforms at all, or requiring a third party platform to agree to restrictions on how it, or its related businesses that provide other services to dealers, will compete with Dealer Solutions and/or Carsguide/Autotrader (and post-acquisition, Gumtree).¹⁹⁹
 - While Dealer Solutions currently provides publishing services to Carsguide/Autotrader, post-acquisition Gumtree may enter into an agreement with Dealer Solutions to provide publishing services to Gumtree, foreclosing opportunities for other publishers to compete to supply these services to Gumtree.²⁰⁰
- 5.149. Cox Automotive submits that Dealer Solutions markets itself as an independent distributor of listings and has never refused to list vehicles on any platforms of the dealer's choice. It considers that if Dealer Solutions were to disrupt a dealer's decisions as to where they publish listings, dealers would change data aggregator. Cox Automotive further submits that, post-acquisition, Gumtree would not have sufficient market power to make this a commercially viable option for Dealer Solutions. It notes that Dealer Solutions will not be related to the Gumtree post-acquisition, and therefore any move to limit competition post-acquisition would be subject to the Act.²⁰¹
- 5.150. The ACCC notes that post-acquisition there would be no direct corporate relationship between Gumtree and Dealer Solutions. This would appear to reduce the incentives to engage in this type of conduct.
- 5.151. However, post-acquisition Gumtree will have access to a larger inventory of vehicles making it a more attractive platform for both sellers and buyers. This would mean that the likelihood of Dealer Solutions' dealer customers switching to another data aggregator if Dealer Solutions refused to list their vehicles on some other platforms would be reduced.
- 5.152. Similarly, the larger inventory of Gumtree post-acquisition is likely to mean that if such conduct were to be engaged in, Gumtree would have greater ability to foreclose third party online classified sites and/or publishers or data aggregators.
- 5.153. Given that there will not be a direct corporate relationship between Gumtree and Dealer Solutions post-acquisition, the ACCC considers that it is unlikely that the

¹⁹⁸ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 39-40.

¹⁹⁹ CONFIDENTIAL: [REDACTED] CONFIDENTIAL: [REDACTED]

²⁰⁰ CONFIDENTIAL: [REDACTED]

²⁰¹ Submission from Cox Automotive, 27 March 2020, p. 7.

Proposed Acquisition will increase the likelihood of this type of conduct being engaged in. The ACCC also notes the statutory protection from legal action under the Act provided by this authorisation would not apply to any such conduct should it occur.

Public benefits and public detriments

5.154. The Act does not comprehensively define what constitutes a public benefit. The ACCC adopts a broad approach. This is consistent with the Australian Competition Tribunal (the **Tribunal**) which has stated that the term should be given its widest possible meaning, and includes:

...anything of value to the community generally, any contribution to the aims pursued by society including as one of its principal elements ... the achievement of the economic goals of efficiency and progress.²⁰²

5.155. Similarly, the Act does not define what constitutes a public detriment. The ACCC adopts a broad approach. This is consistent with the Tribunal which has defined it as:

...any impairment to the community generally, any harm or damage to the aims pursued by the society including as one of its principal elements the achievement of the goal of economic efficiency.²⁰³

5.156. The ACCC is satisfied that the substantial lessening of competition limb of the authorisation test is met (that is, the Proposed Acquisition would not be likely to have the effect of substantially lessening competition). It therefore does not need to consider the net public benefit limb of the test (that is, whether the public benefits likely to result from the Proposed Acquisition would outweigh the public detriments likely to result from it).

5.157. For completeness, however, the ACCC has outlined the public benefits claimed by Gumtree and submissions from interested parties on benefits and detriments.

5.158. The main public benefits that Gumtree submits the Proposed Acquisition will achieve are primarily as a result of the expansion in the inventory available through a single platform and network effects realised by combining Gumtree and Carsguide/Autotrader's inventories, which it submits will create a stronger automotive classifieds platform that is better able to connect vehicle sellers and buyers and impose a stronger competitive constraint on Carsales.²⁰⁴ The ACCC considers that, to the extent that these outcomes are realised, they are a product of increased competition and as such, are considered in the ACCC's views about the impact on competition of the Proposed Acquisition as discussed above.

5.159. Additionally, Gumtree submits that the Proposed Acquisition will result in public benefits including:

- enabling lower risk investment in improving its product offering and experience
- efficiencies and synergies that will be reinvested into the business to promote further growth, and
- lower search costs for consumers.²⁰⁵

²⁰² Queensland Co-operative Milling Association Ltd (1976) ATPR 40-012 at 17,242; cited with approval in Re 7-Eleven Stores (1994) ATPR 41-357 at 42,677.

²⁰³ Re 7-Eleven Stores (1994) ATPR 41-357 at 42,683.

²⁰⁴ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 13-14, 81.

²⁰⁵ Gumtree AU Pty Ltd's application for merger authorisation MA1000019, 14 January 2020, pp. 84-85, 88-89.

5.160. Carsales has submitted that it is unclear whether, or the extent to which, any of Gumtree's claimed potential public benefits are transaction specific. Specifically, Carsales submits that the Proposed Acquisition is not required for Gumtree to implement competitive responses to Carsales or to create a more effective platform, and that any benefits from cross-listing could be achieved through the implementation of a syndication arrangement.²⁰⁶ Carsales also states that it is not clear whether Gumtree's claimed cost and revenue synergies would be passed through to consumers, thereby reducing the weight that this potential benefit should be accorded.²⁰⁷

6. Length of authorisation

- 6.1. The Act allows the ACCC to grant authorisation for a limited period of time.²⁰⁸ The ACCC will generally grant a merger authorisation for a period of no longer than twelve months from the date of the determination. In order to have the legal protection conferred by the merger authorisation, the authorised party will need to complete the relevant acquisition during the period and notify the ACCC once the acquisition has been completed.
- 6.2. In this instance, the ACCC has decided to grant authorisation for twelve months until 22 May 2021.

7. Determination

The application

- 7.1. On 14 January 2020 Gumtree AU Pty Ltd (**Gumtree**) lodged an application MA100019 with the ACCC, seeking authorisation under subsection 88(1) of the Act.
- 7.2. Gumtree seeks authorisation to acquire 100 per cent of the ordinary share capital of Cox Australia Media Solutions Pty Ltd (**Cox Media**) by way of share purchase agreement (**the Proposed Acquisition**).

The authorisation test

- 7.3. Under subsection 90(7) of the Act, the ACCC must not grant authorisation unless it is satisfied that either:
- (a) The Proposed Acquisition would not have the effect, or would not be likely to have the effect, of substantially lessening competition, or
 - (b) The Proposed Acquisition would result, or be likely to result, in a benefit to the public, and that benefit would outweigh the detriment to the public that would result, or be likely to result from the Proposed Acquisition.
- 7.4. For the reasons outlined in this determination, the ACCC is satisfied, in all the circumstances, that the Proposed Acquisition would not have the effect, and would not be likely to have the effect, of substantially lessening competition.

²⁰⁶ Submission from Carsales, 10 February 2020, p. 27.

²⁰⁷ Submission from Carsales, 10 February 2020, p.28.

²⁰⁸ Subsection 91(1).

Conduct for which the ACCC grants authorisation

7.5. The ACCC grants authorisation MA100019 to Gumtree to acquire 100 per cent of the ordinary share capital of Cox Media.

Length of authorisation

7.6. The ACCC grants authorisation MA100019 for twelve months until 22 May 2021.

Date authorisation comes into effect

7.7. This determination is made on 30 April 2020. If no application for review of the determination is made to the Australian Competition Tribunal it will come into force on 22 May 2020.