

**Trade Me / Property NZ**  
**Homes submissions on Sol**  
**10 May 2021**

**Introduction**

1. We refer to the Commission's Statement of Issues ("Sol").

**Homes as constraint on Trade Me**

2. It may be useful to outline up front how the Homes business model works as distinct from Trade Me and its direct competitors One Roof and realestate.co.nz. Homes is a property data-focused website that derives revenue from digital advertising. Homes strives to publish high quality content that engages consumers and, in doing so, generate a valuable opportunity for advertisers to promote goods and services. Its primary focus to date has been in producing and presenting property sales histories and valuations (property information). Historically, this focus reflected (i) a perceived gap in the market for this kind of information; and (ii) the fact that Homes was able to obtain the underlying data from third party sources.
3. The property information Homes produces has proven particularly useful for prospective vendors (but also buyers). It is that connection with prospective vendors that has generated the opportunity for real estate agents to promote their services on the Homes site. However, Homes does not just provide the opportunity for real estate agents to promote themselves. It also sells advertising to the broader consumer economy, but particularly that with a focus on homeowners. The key to driving greater value for this segment (and then monetising it in the form of advertising revenue) is ensuring that Homes, having drawn consumers to visit the site to access the property information, extends the session times of those consumers by making other information and tools available. This objective drives Homes to seek to make the secondary content on its site as engaging as possible.
4. Listings are one example of the kind of secondary content that might extend the session time of a consumer visiting the Homes site. However, there are many other examples, including:
  - a. Solar Estimate of a property
  - b. Council information on a property
  - c. The ability to use filter tools to find certain types of property
  - d. Sales histories of a specific Real Estate Agent
5. So Homes' primary offering is its property information. The other information (including listings) is secondary in nature and builds on the value created by the property information which operates to draw consumers to Homes in the first place. The fact that Homes' focus has not been on listings reflects the fact that Homes neither controls listings (it is not a real estate agency) and does not offer anything unique or compelling in respect of making those listings available online (there are a number of other providers performing this function effectively). The opposite is true for property information where (i) the relevant underlying data has been available (and will remain available for the foreseeable future) and (ii) Homes

established its market presence during a period when property information was not generally being made available by anyone else.

6. Against this background, Homes does not consider itself to be a significant competitive constraint on Trade Me in the supply of online listings to real estate agents. In that regard, we agree with the category of submitters cited at paragraph 74.1 of the Sol.
7. Homes' inability to constrain Trade Me/One Roof/realestate.co.nz is evident in the (lack of) market response to Homes reducing its price for hosting listings on its website from \$199 per month per branch to \$0/month.<sup>1</sup> From that point:
  - a. Neither [ **CONFIDENTIAL** ] accepted the invitation to place listings on Homes, even for a nil fee; and
  - b. To Homes' knowledge, there was no decrease in the pricing of either Trade Me or One Roof.
8. The commercial position taken by [ **CONFIDENTIAL** ] not to provide a feed of their listings to Homes even at a nil fee suggests that Homes' offering is not delivering significant additional value relative to existing online alternatives. However, it also illustrates Homes' lack of control over listings content, which has forced Homes to focus on other elements.
9. Homes does not see this situation changing in the counterfactual. In particular:

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10. Even if Homes does one day secure the ability to present a comprehensive set of listings, those listings will remain as just one of many features Homes uses to extend the session times of consumers visiting the Homes site. So, while a comprehensive set of listings would be a "nice to have", Homes' business is predicated on that not being the case. Homes is resilient because it has evolved to attract an audience and present a value proposition to advertisers with or without a comprehensive set of listings content.
11. Homes has provided the Commission with copies of all documents evidencing its commercial strategy. [ **CONFIDENTIAL** ] Accordingly, in the counterfactual, while Homes will continue to seek to work with real estate agencies to make listings available on its site, its strategic focus will remain on developing aspects of its offering within its control. Developments in the pipeline include the following:

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<sup>1</sup> On 1 June 2018, Homes reduced its price to Ray White from [ **CONFIDENTIAL** ] to a nil charge, and on 1 Oct 2019 [ **CONFIDENTIAL** ]

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12. In this regard, Homes agrees with the perspective of the interviewees cited at paragraph 74.3 of the Sol.

**Trade Me's incentives**

13. Homes does not see why Trade Me's incentives to drive the Homes business forward would be any different to those of Homes. There is clearly an opportunity for Trade Me to leverage its existing audience with the effect that the content generated by Homes is made available to more consumers. It is this opportunity that makes Trade Me a logical buyer for the Homes business. In that context, if anything, Trade Me will have a greater incentive than a standalone Homes to innovate so as to improve the quality of the Homes offering due to the potentially greater upside than is achievable by Homes under its current ownership model.

**The digital advertising market**

14. Unsurprisingly given the content on the site, Homes' audience skews towards homeowners, meaning that Homes is a logical advertising option for any campaign specifically targeting homeowners. This is reflected in the identity of the top 10 advertisers on Homes' site during the month of April 2021: [ **CONFIDENTIAL** ]

15. So, in seeking to make sales, Homes would argue it is more effective at reaching homeowners than a generic site. However, while it is true that the category of advertisers that typically use Homes is generally narrow, Homes' experience is that this same category does not limit its campaign to specialist sites such as ours or necessarily use them at all. Those same advertisers use the full range of generic sites, including Google and Facebook. This experience is reflected in price with Homes having been unable to convert its homeowner-centric audience into a premium price for digital advertisers targeting homeowners. In other words, the price these advertisers are willing to pay is still around the [ **CONFIDENTIAL** ] that they (or their advertising agency) would likely pay for advertising on generic sites.

**Conglomerate effects**

16. Homes understands that the Commission is concerned about the potential for adverse "conglomerate effects". Homes cannot see how any such adverse effects can occur when the market for the supply of online listings to real estate agents includes two strong competitors to Trade Me, each of which have their own structural strategic advantages that see them well positioned to compete effectively with the merged Trade Me/Homes entity:
- a. In the case of realestate.co.nz, access to and ultimate control of listings content and the guaranteed access that this implies; and
  - b. in the case of One Roof, the ability to integrate its offering with NZME's media channels (including print media).

17. In addition, Homes expects the emergence of direct competitive responses to the Homes offering, given that the data used by Homes is available commercially to any and all players in the market. By way of example:
- a. Stuff has recently launched its own platform for property related content in the form of “Homed”. That would be an obvious candidate for growth into a direct competitor for Homes. Like One Roof, Stuff is also well positioned to access listings due to its legacy content distribution business which the real estate agencies have generally supported; and
  - b. realestate.co.nz announced just today that, in partnership with REINZ, it has launched a new “AVM” (automated valuation model) which “uses advanced modelling and deep machine learning techniques to produce accurate estimates and up-to-date sales price predictions for residential properties across New Zealand.” They also claim a “key advantage” in being able to use data in relation to unconditional sales.<sup>2</sup>
18. Finally, from Homes’ perspective, the conglomerate effects theory will never play out in an environment where there will never be a single authoritative source of property information. Experience both in New Zealand and overseas shows that buyers and sellers never restrict themselves to a single source of information. They always “multi-home” because this is how they “shop around”. Audiences are not content to assume a single website contains everything they need to make an informed purchasing decision. It is practically costless to access another website and for this reason there are always opportunities for websites to compete effectively against even the most entrenched of incumbents. For example:
- a. realestate.com.au vs Domain.com (Australia)
  - b. Rightmove.co.uk vs Zoopla.co.uk vs onthemarket.co.uk (UK)
  - c. Zillow.com vs realtor.com vs homes.com vs trulia.com (USA)

#### **Vertical effects**

19. In the Sol, the Commission states that “it is unclear that Trade Me and Homes supply any data that could be used to foreclose rivals”<sup>3</sup>. In Homes’ view, it is clear that no such data exists. All data used in the valuation process by Homes is sourced from third parties and processed. The barriers to accessing this data are the same for Homes as for anyone else. In terms of listings data, Homes has already noted the commercial issues associated with its own inability to obtain comprehensive listings feeds. It is self-evident that listings are controlled by the real estate agencies, not by website operators such as Homes. In any event, OneRoof and realestate.co.nz each have access to listings.

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<sup>2</sup> See blog post: <https://www.realestate.co.nz/blog/news/reinz-launches-next-generation-automated-valuation-model-avm>

<sup>3</sup> Sol, para 125

**Market definition**

20. Finally, Homes does not understand anything to turn on these points but makes the following observations regarding market definition to the extent they assist the Commission:
- a. There is a degree of substitutability between advertising listings online and print, but given the cost of print advertising, they are probably more complementary in nature and real estate agencies often bundle both modes of advertising in their campaigns;
  - b. The consumers using online and print listings are the same people, namely, adults interested in property.
  - c. The distinction between basic listings and featured listings is a fine one - both serve the same need, with featured listings just being larger and more prominent
  - d. Homes agrees the online audience can be thought of in terms of buyers and vendors and that buyers can be split into transaction focussed active buyers (I want to buy) and passive buyers who are gathering information (I might sell/buy in the future). In general terms, Trade Me focuses on buyers (both active and passive) while Homes is used more by vendors.
  - e. Listings and property information are not substitutes - they are completely different sets of data targeting two different audiences and answering separate questions. Listings data is for buyers asking "what can I buy?" and property information is for buyers asking "what could this house I'm looking at be worth?" and for vendors asking "what is my house worth to sell?"