



Submission in response to the Commerce Commission's Letter of Issues in respect of the proposed acquisition of Homes by Trade Me Limited

Homes/Trade Me Clearance | Commerce Commission

17 May 2021

Introduction

1. Thank you for the opportunity to provide feedback on the Commerce Commission’s statement of issues (“**SOI**”) in respect or the proposed acquisition of PropertyNZ Limited (“**Homes**”) by Trade Me Limited (“**Trademe**”) (the “**proposed acquisition**”).
2. The Commission will be largely familiar with Spark and its core businesses.
3. In 2017, as one of the initiatives of Spark’s digital ventures unit, Spark invested [\$] in Homes and it invested a further [\$] in 2018 to acquire 22.5% of the shares in Homes. Spark also committed to advertising on the Homes.co.nz site and has had a digital banner advert on the site as part of that arrangement.
4. Spark’s rationale at the time was to explore investments in digital businesses that showed growth potential. Spark accordingly invested to support the business to achieve scale, develop their product proposition and improve prospects of success in the short-to-medium term.
5. In addition, Spark considered that it might be able to [].

Homes’ performance

6. Homes initial growth in 2018 led to Spark increasing its investment to prove out whether: [
 - a. [];
 - b. [];
 - c. [] and []]
7. While agent subscriptions [], revenue from media placement was [], and depth revenue (Feature Listings, House of the Week etc.) [].
8. Spark formed the view that despite some growth, [].
9. At one-point Homes’ unique selling point was the strength of its valuation engine and the way it presented a combination of other property market information. However, over time, the information Homes uses has become more accessible to other providers [].

Homes as an advertising platform for Spark

10. As part of Spark's initial investment in Homes, Spark committed to advertising on Homes. The initial commitment of around [\$] per month was predominantly in the form of a static banner ad on the site. Spark also takes other advertising slots on Homes, with a view to targeting potential customers who are looking to buy or move home, and at that point may be considering their broadband connectivity options. Spark also advertises on One Roof and Trademe for the same reasons.
11. In the last 8 months (excluding the banner adverts) Spark's advertising spend on Homes was around [\$]; its spend on One Roof was about [\$]; and its spend on Trademe was about [\$].
12. One way in which the investment return on online advertising spend is measured relates to the cost per thousand impressions or click throughs referred to as "CPM". Spark has found that the CPM on Trademe is [] than the CPM on Homes, in part due to the []. Furthermore, the CPM on more general websites such as the Herald.co.nz or stuff.co.nz is [] and the rate of return from these generic websites is a [] way to target potential broadband customers.
13. By way of example the aggregate value of Spark's investments in online advertising on property websites such as Homes, Trademe and One Roof is a small fraction of Spark's total online advertising spend (approximately [%]).

Spark's ongoing investment in Homes

14. Over the past 12 months Spark has considered whether to continue to invest further in Homes. [].
15. As such Spark was supportive of Homes entering into a sales process. [].
16. In our view, Homes' valuation engine stands as a valuable complement to Trademe's other property assets. Trademe competes with integrated property resources such as One Roof, Realestate.co.nz and now Stuff Property, which are all strong players in their own right. The addition of Homes enhances what Trademe could offer to its customers.

Listings

17. We note that the Commission has considered whether the proposed acquisition might result in a lessening of competition in the market for the provision of real estate listings.

18. Although we are not directly involved in that market, we consider that Homes is unlikely to provide a meaningful competitive constraint in that market given:
- a. The strength of Real Estate, One Roof and the recent entry by Stuff Property, and the role of other generic sites for property listings;
 - b. The availability of newer and alternative valuation engines, the availability of third-party source information to any other website, and the ability for those websites to readily provide an integrated property listing and valuation resource to the market in the same way as Trademe could do; and
 - c. Our perception that Homes appears to be seen by consumers as predominantly a valuation engine rather than a listings engine.
19. In the circumstances, based on Spark's experience, it is our view that the proposed acquisition is unlikely to lessen competition in any market.
20. Should you have any further questions, please don't hesitate to contact us to discuss.

[End]