

TRADE ME / HOMES

HOMES SUBMISSION ON STATEMENT OF UNRESOLVED ISSUES

14 JULY 2021

Growth in listings says nothing about competitive constraint on Trade Me/RE/OR

1. The Commission has observed that Homes is targeting and achieving listings growth and, predicts that the extent of Homes’ constraint on Trade Me in the listings market will increase in significance as further growth is achieved. Homes does not support this reasoning and disagrees with the conclusion. In summary:

- To the extent Homes has focused on securing listings,
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]Listings also round out its property information proposition for its own audience (i.e. homeowners and buyers in research mode), which in turn adds value to the commercial proposition put to agents.
- Homes’ focus is on homeowners rather than active home buyers.
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- Homes’ strategy has [
]and its experience is that the network effects that the Commission predicts (where making listings available to its audience would make it a significant constraint in the listings market) have not occurred.
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2. We elaborate below.

Why seek listings?

3. Homes has built a site that collates and presents property information in a way that has been attractive to homeowners. [
]Homes is focused on the homeowner and for this reason Homes provides real estate agents the opportunity to market their expertise to homeowners before they become vendors.¹
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] The listing is part of the promotion of the agent's expertise and services to homeowners. Homeowners looking to sell and thinking about appointing an agent are not just interested in sales histories (although these are important). They also want to know about live listings, which are effectively endorsements of the agent by those vendors listing their property with that agent.

4. Listings are also important for Homes because they contain useful information about the listed property. Homes strives to make available a comprehensive set of information regarding as many properties as possible in order to maintain and grow its reputation as New Zealand's premier site for property information. As noted above, Homes' homeowner audience has commercial value for Homes with a range of commercial operators. For real estate agents in particular, every homeowner is a potential vendor and vendors retain the services of real estate agents to list and market their properties for sale or rent. Real estate agents know that homeowners (i.e. potential vendors) use Homes.
5. It is fair to say that Homes has so far focussed on real estate agents in seeking to monetise its homeowner audience.

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6. A comprehensive set of information would include listings data. Homes considers listings data to be the most important data to secure,³ primarily because of its recency. Listings data is right up to date and has a depth of data making it valuable to all market participants. Listings also help Homes to promote agents who (as noted above) use Homes to advertise their services to prospective vendors.
7. However, the commercial reality has been that Homes has never had a comprehensive set of listings data and []So while the information remains important, it is not critical. This is evident in the fact that Homes has developed a competitive proposition based on homeowners without comprehensive listings data and has plans to remain competitive in that sphere while assuming that this will continue.
8. []is to support agents in promoting their services to homeowners (future vendors) and also to grow the value of Homes' core proposition of making available

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³ As noted by the Commission at SOUI, fn 54

asking, but Homes expects them to continue to refuse and so Homes' priorities remain on aspects of its business that it controls.

Focus remains on homeowners

14. As the Commission knows, Homes strives to be "the home of homeowners".⁵

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15. From a competition perspective in listings markets, the key roles are undertaken by Trade Me, RE and OR. In particular:

- Trade Me has a comprehensive inventory and a strong position as the market leader
- RE is owned and maintained by the industry and used strategically to manage exposure to Trade Me – this has been successful with prices for online listings being much lower than in comparable markets such as Australia
- OR is seeking to grow into this space as a key strategic component of NZME's drive to replace print revenues – OR's strength in Auckland does not in any way indicate a weakness elsewhere (as the Commission suggests). Rather Auckland is a logical place for OR to start and there is no reason to think that it cannot expand its presence in other parts of the country.

16. Having established a clear proposition to homeowners,

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⁵ SOUI, para 94

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The pathway for Homes to compete in listings markets

18. The Commission’s hypothesis is that in the counterfactual “Homes’ expected growth... will likely make it a significant competitor to Trade Me... even if Homes’ focus is not in the listings markets, due to network effects.”⁶ The suggestion seems to be that it does not matter whether Homes focuses on listings or not, the mere fact of having more listings available will trigger “network effects” that mean it will become a “significant competitor”.
19. Unfortunately, the pathway to becoming competitive in the listings market is much more challenging than the Commission suggests. The mere availability of content does not translate to commercially relevant consumer support or trigger fundamental change in consumer behaviour on the site. []
- RE stated that in a post on LinkedIn (June 23rd) that for May 2021, users on their website generated over 73,500 listing enquiries from on their site across about 18,000 listings. This is an enquiry rate of 4.1 enquiries per listing.
 - []
20. The Commission says that “Homes has been growing in the listings... markets.”⁷ It is true that Homes has more listings than it used to and there has been some growth over time in the rate at which Homes generates listings enquiries.
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⁶ SOUI, para 94

⁷ SOUI, para 74

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23. The Commission states that Homes “appears to be building a sustainable position in the listings side of the platform”.⁸ That statement is true to the extent that Homes has been able to secure a reasonably significant feed of listings data to augment its property information proposition.

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25. Homes’ cause is not helped by the fact that access to listing data is currently suboptimal due to an inability to secure feeds from

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⁸ SOUI, para 76

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