

# Anticipated acquisition by Adevinta ASA of eBay Classifieds Group from eBay Inc., and eBay Inc.'s acquisition of a minority stake in Adevinta ASA

## Decision on relevant merger situation and substantial lessening of competition

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 16 February 2021. Full text of the decision published on 8 April 2021.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

**ME/6897/20**

### SUMMARY

1. Adevinta ASA (**Adevinta**), has agreed to acquire eBay Classifieds Group (**eCG**) from eBay Inc. (**eBay**), and eBay has agreed to acquire shares in Adevinta representing approximately 33.3% of the voting rights (and approximately a 44% economic interest) (the **Merger**). Schibsted ASA (**Schibsted**), an international media company, is currently the majority shareholder in Adevinta, holding 59.3% of the shares, and will retain approximately 39.5% of the voting rights (and approximately a 33.1% economic interest). Adevinta, Schibsted, eCG and eBay are together referred to as the **Parties**. For statements referring to the future, the combination of Adevinta and eCG is referred to as the **Merged Entity**.
2. In the UK, Adevinta is active in the provision of online classified advertising services through Shpock and MB Diffusion. eCG is active in the provision of online classified advertising services through Gumtree and Motors.co.uk, and eBay is active through its online marketplace eBay.co.uk (**eBay Marketplace**).
3. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Adevinta, Schibsted, eCG and eBay is an enterprise;

that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met.

4. As a result of the Merger, Adevinta will acquire control of eCG, and eBay and Schibsted will obtain the ability to exercise material influence over Adevinta and eCG respectively, in light of their respective shareholdings, board representation, and industry expertise and knowledge.
5. Accordingly, the CMA believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

## Counterfactual

6. The CMA considered that the appropriate counterfactual against which to assess the competitive effects of the Merger is the sale by eBay of eCG to an alternative purchaser that does not have overlapping UK activities, which would result in an independent eCG in the UK going forward. The CMA reached the conclusion that this would represent a realistic and more competitive counterfactual following a review of eBay's internal documents relating to the eBay board of directors' consideration of the alternative final bids received for eCG, and the scope of what those bids would have entailed.

## Online generalist classified advertising services and C2C online marketplaces

7. Online classified advertising services enable consumer and professional sellers to list products and/or services for sale, and for consumers to make comparisons across those listings.
8. Adevinta's Shpock and eCG's Gumtree overlap in the provision of 'generalist' online classified advertising services, enabling primarily consumer sellers to list a broad range of primarily used consumer goods for sale.
9. Online marketplaces, such as eBay Marketplace, allow sellers to list goods for sale to consumers, but to also complete the transaction and arrange delivery on the platform. Whilst eBay Marketplace focuses on business-to-consumer (**B2C**) sales of primarily new goods, a significant part of the platform concerns consumer-to-consumer (**C2C**) sales of used goods.
10. The CMA found that generalist online classified advertising platforms and the C2C part of online marketplaces (**C2C online marketplaces**) exercise a competitive constraint on one another, justifying inclusion in the same product frame of reference. This was based on a range of evidence, including how

frequently both generalist classified advertising platforms and C2C online marketplaces are monitored as competitors in the Parties' internal documents. eBay has also acknowledged that whilst Gumtree has been under its ownership, eBay has been incentivised to prevent Gumtree from adopting competitive strategies that could harm eBay Marketplace, implying that both platforms are competitors. Furthermore, the industry has witnessed a growing convergence between the two types of platforms, as classified advertising platforms (including Shpock) have added transactional features to their sites.

11. The CMA did not find sufficient evidence to justify widening the product frame of reference to include B2C sales on online marketplaces, or 'vertical' classified advertising services (relating to classified advertising services for specific products or services, primarily motor vehicles, property, or jobs).
12. The CMA used a UK-wide geographic frame of reference to assess the impact of the Merger in the supply of online generalist classified advertising services and C2C online marketplaces.

### **Horizontal unilateral effects**

13. The CMA considers that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) in relation to horizontal unilateral effects in the above frame of reference. This could result in consumers facing less choice, reduced innovation, and/or higher fees.
14. eBay Marketplace is the largest platform within the frame of reference, with a share of supply by average monthly visits and new listings of [50-60]% or more in 2020, making it more than twice the size of the next largest player.
15. Gumtree is the third or fourth largest platform (depending on the metric), with a strong brand presence in the UK. Shpock is a less established platform, but has recently transitioned into a transactional platform, which has put it in more direct competition with eBay Marketplace. Gumtree and Shpock, combined, would increase eBay's already large share of supply by a significant increment when measured by average monthly visits or number of new listings.
16. The CMA considers that the Parties' platforms are, or have the potential to be, close competitors, in light of a range of evidence, including similarities in their service propositions, the Parties' internal documents, and the views of third parties. The CMA has taken into account evidence that, whilst Gumtree has been under eBay's ownership, eBay has been incentivised to discourage Gumtree from adopting competitive strategies that could undermine eBay

Marketplace, [X]. This could mean that Gumtree's current share of supply understates its potential constraint.

17. As noted above, under the more competitive counterfactual that the CMA considers to be applicable, eBay would not control Gumtree. Under the counterfactual, therefore, both Shpock and Gumtree would be free to compete with eBay Marketplace. The CMA has also taken into account evidence indicating that eBay was specifically motivated to sell eCG to Adevinta (rather than to an alternative bidder that could have resulted in eCG becoming independent of eBay) in order to prevent incremental volume and pricing pressure on eBay Marketplace. Overall, this suggests that Gumtree in particular has significant potential to constrain eBay Marketplace.
18. As a result of the Merger, eBay will have material influence over Adevinta. The CMA considers that, as a result, eBay would have the ability and incentive to discourage Adevinta from adopting policies in relation to Gumtree and Shpock that could harm eBay Marketplace in the UK. This could include, for example, discouraging Adevinta from investing further in Shpock or investing to make Gumtree a stronger generalist platform, in favour of other courses of action, such as prioritising investment in Adevinta's platforms outside the UK, or investing in Gumtree only as a vertical platform.
19. There are a number of other generalist classified advertising platforms and C2C marketplaces active in the UK, although the CMA considers that most of these are small or differentiated from the Parties. Taking into account a range of evidence, including the Parties' internal documents and third party views, the CMA considers that of these competitors only Facebook Marketplace (**FBMP**), the second largest player in the frame of reference, provides a significant constraint on the Parties' platforms. Other generalist classified advertising platforms and C2C marketplaces only provide a modest or limited constraint. The CMA does not therefore consider that alternative suppliers (whether considered individually or in aggregate) would be able to exert a sufficient competitive constraint to prevent the Merger giving rise to an SLC.
20. The CMA did not receive any compelling evidence to suggest that competitor entry or expansion would offset the SLC identified.

## Conclusion

21. The CMA therefore believes that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of generalist online classified advertising services and C2C online marketplaces in the UK.

22. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). The Parties have until 23 February 2021 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.

## ASSESSMENT

### Parties

23. Adevinta provides online classified advertising services internationally and is active through Shpock and MB Diffusion<sup>1</sup> in the UK. Adevinta is a public company headquartered in Oslo, Norway and listed on the Oslo Børs. In 2019, Adevinta had worldwide turnover of approximately £746 million and a UK turnover of approximately £[X] million.<sup>2</sup>
24. Schibsted, an international media company headquartered in Oslo, Norway, is the majority shareholder in Adevinta, holding 59.3% of the shares. In 2019, Schibsted had a worldwide turnover of approximately £1.427 billion and had a UK turnover (excluding Adevinta) of approximately £[X]million.<sup>3</sup>
25. eCG provides online classified advertising services internationally and is active through Gumtree and Motors.co.uk in the UK. eCG is a wholly owned subsidiary of eBay. In 2019, eCG had a worldwide turnover of approximately £831 million and had a UK turnover of approximately £[X] million.<sup>4</sup>
26. eBay is a Delaware corporation headquartered in San Jose, California and listed on NASDAQ. eBay, aside from its activities through eCG, is active in the UK through its online marketplace, eBay Marketplace. In 2019, eBay had a worldwide turnover of approximately £6.6 billion and had a UK turnover (excluding eCG) of approximately £[X] billion.<sup>5</sup>

### Transaction

27. The proposed transaction (the **Merger**) relates to the purchase by Adevinta of the whole of the issued share capital of eCG. Under the terms of this agreement, eBay would receive \$2.5 billion in cash, as well as approximately 540 million shares in Adevinta, representing approximately 33.3% of the

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<sup>1</sup> MB Diffusion includes three separate online classified advertising platforms specialising in agricultural equipment, construction equipment, and trucks: Agriaffaires, MachineryZone, and Truckscorner.

<sup>2</sup> Final Merger Notice (**FMN**), paragraph 2.4.

<sup>3</sup> FMN, paragraph 2.9.

<sup>4</sup> FMN, paragraph 2.14.

<sup>5</sup> FMN, paragraph 2.18.

voting rights (and approximately a 44% economic interest). The headline value of the deal was \$9.2 billion.<sup>6</sup>

28. The Parties informed the CMA that the Merger is also the subject of review by competition authorities in Austria and Germany.<sup>7</sup>

## **Rationale**

29. In this section, the CMA considers the rationale for both the sale of eCG to Adevinata, as well as the rationale for eBay acquiring material influence over the Merged Entity, from the perspective of eBay as well as Schibsted.

### ***Adevinta's acquisition of eCG***

30. The Parties submitted that Adevinata's rationale for acquiring eCG is to widen and diversify Adevinata's online classified advertising portfolio. The Parties added that Adevinata and eCG's online classified advertising platforms are largely active in different countries and that the Merger will create a complementary portfolio.<sup>8</sup>
31. The Parties submitted that the Merger will create global cost synergies of £118-145 million, primarily outside of the UK.<sup>9</sup> The Parties explained that Adevinata's enlarged scale will allow it to focus on improving products and services for consumers and compete more effectively with FBMP.<sup>10</sup>
32. The Parties submitted that eBay was prompted to consider the sale of eCG [redacted],<sup>11</sup> with the eBay board [redacted].<sup>12</sup>

### ***eBay's acquisition of a minority stake in Adevinata***

33. The Parties submitted that the Merger structure was proposed by Adevinata during the competitive bidding process because [redacted].<sup>13</sup> They submitted that throughout the sales process, [redacted]. However, that [redacted] option was not on offer from Adevinata.<sup>14</sup> The Parties also submitted that eBay's stake was limited to

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<sup>6</sup> See [Adevinta's announcement of the deal](#).

<sup>7</sup> The Merger was cleared in Germany on 24 November 2020.

<sup>8</sup> FMN, Executive Summary, paragraph 4.

<sup>9</sup> FMN, paragraph 2.29.

<sup>10</sup> FMN, paragraph 2.28.

<sup>11</sup> Annex 1 to eBay's response, dated 20 November 2020 to the Section 109 Notice dated 30 October 2020.

<sup>12</sup> FMN, Executive Summary, paragraph 3.

<sup>13</sup> FMN, paragraph 2.35.

<sup>14</sup> FMN, paragraph 2.36.

33% to prevent triggering the mandatory offer rule under Norwegian takeover laws.<sup>15</sup>

34. eBay submitted that by acquiring a minority stake in Adevinta, it will benefit from significant synergies gained by combining eCG and Adevinta<sup>16</sup> and the potential upside in the value of the offer if Adevinta's share value increases.<sup>17</sup>
35. The CMA notes that eBay '[redacted]'.<sup>18</sup> However, the CMA also notes the evidence [redacted] describing strategic benefits of it retaining a stake in the eCG business;<sup>19</sup> [redacted].<sup>20</sup>
36. Evidence from eBay's internal documents suggest that eBay was also motivated by a desire to insulate eBay Marketplace from new competition given the C2C element of both eBay and eCG. For example, one eBay board presentation states that [redacted].<sup>21</sup> Another eBay board presentation refers to [redacted] (discussed further at paragraph 194).<sup>22</sup>
37. A Schibsted presentation to its board of directors supports the suggestion that the rationale behind eBay's minority stake would be [redacted].<sup>23</sup>

## Procedure

38. The Merger was considered at a Case Review Meeting.<sup>24</sup>

## Jurisdiction

39. A relevant merger situation exists where there are arrangements in progress or in contemplation which, if carried into effect, will lead to two or more enterprises ceasing to be distinct and either the turnover or the share of supply test is met.<sup>25</sup>

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<sup>15</sup> FMN, paragraph 2.35. This is also supported by internal documents (see e.g. Annex 009.D.1 [redacted] Oak Board Materials vF.pdf, page 13).

<sup>16</sup> Parties' response to RFI 2, 30 October 2020, paragraph 7.4.

<sup>17</sup> Paragraphs 3.9 and 3.10 of eBay's response to the CMA dated 22 December 2020.

<sup>18</sup> FMN, paragraph 2.37.

<sup>19</sup> As raised in eBay internal document (EBAY-005965 Oak Talking Points v04.docx, [redacted], page 2) which states [redacted].

<sup>20</sup> FMN, paragraph 2.37.

<sup>21</sup> Annex 009.D.3 - [redacted]Board Materials\_vF.pdf, pages 18 and 97. [redacted] (the Parties' Issues Letter Response dated 28 January 2021 (**Parties' Issues Letter Response**), paragraph 21).

<sup>22</sup> Annex 009.D.2 Deals Update\_BoD [redacted]\_vFINAL.pdf, page 12. This is further supported in EBAY-005965 Oak Talking Points v04.docx, [redacted], which [redacted].

<sup>23</sup> Annex 009.B.3 B 12 19 I-08a Adevinta Ownership Strategy - Appendix 1 Supporting Material, 13 December 2019, page 35.

<sup>24</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014 (**Mergers: Guidance on the CMA's jurisdiction and procedure**), from paragraph 7.34.

<sup>25</sup> See part 4 of [Mergers: Guidance on the CMA's jurisdiction and procedure](#).

40. The CMA considers it appropriate to consider the Merger as a single relevant merger situation, under which eCG and Adevinta, eBay and the Merged Entity, and Schibsted and the Merged Entity, all cease to be distinct.<sup>26</sup>

### ***Two or more enterprises ceasing to be distinct***

41. Each of eBay, eCG, Schibsted and Adevinta is an enterprise. As a result of the Merger, eCG and Adevinta will cease to be distinct, and Schibsted and eBay will each also cease to be distinct from the Merged Entity.<sup>27</sup>
42. The Parties submitted that each of eBay and Schibsted will have material influence over the Merged Entity as a result of the Merger.<sup>28</sup>
43. The ability to exercise material influence constitutes the lowest level of control that may give rise to two or more enterprises ceasing to be distinct.<sup>29</sup>

### ***eBay gaining material influence***

44. The agreement entered into on 20 July 2020 will confer upon eBay:
- (a) approximately 33.3% of the voting rights and a 44% economic interest in Adevinta;
  - (b) two (out of eight)<sup>30</sup> representatives on the board of Adevinta; and
  - (c) certain limited veto rights over Adevinta.
45. The Parties did not dispute that the agreement would give eBay material influence over the Merged Entity. The CMA notes in addition to the agreement that eBay is a well-respected player with significant expertise in the classified advertising sector with particular knowledge of (and activities in) the UK market. It would also have the largest shareholding in the Merged Entity by a significant margin, with the exception of the shareholding held by Schibsted, as well as board representation.<sup>31</sup>

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<sup>26</sup> The CMA considers whether the Merger is considered as one or multiple relevant merger situations does not affect its jurisdiction to consider the Merger, given eCG's turnover. Nor would it affect the competitive analysis set out below.

<sup>27</sup> FMN, paragraph 5.1.

<sup>28</sup> FMN, paragraph 5.1.

<sup>29</sup> *Merger Assessment Guidelines* (OFT1254/CC2), September 2010 (*Merger Assessment Guidelines*), from paragraph 3.2.8. The *Merger Assessment Guidelines* have been adopted by the CMA (see *Mergers: Guidance on the CMA's jurisdiction and procedure* (Annex D).

<sup>30</sup> The Parties submit that Adevinta's board will increase to nine at the first general meeting post-completion (FMN, paragraph 7.1(c)).

<sup>31</sup> In this regard, please see FMN, Table 7 for the relative size of eBay's UK activities in relation to Schibsted (the only other major shareholder in Adevinta).



46. The CMA considers that eBay may be able to use its position and status and expertise to influence other directors and/or shareholders and, therefore, to materially affect the Merged Entity's commercial policy. When eBay has a view in relation to any decision, it may have the ability to influence the voting of other shareholders and/or board members due to the size of its shareholding combined with its industry knowledge and standing. This may particularly be the case in the UK, where Schibsted has limited activities aside from the Merged Entity, and where eBay will continue to operate eBay Marketplace.

*Schibsted gaining material influence*

47. In addition, as a result of the agreement, Schibsted, which currently owns approximately 59% of the voting interest in Adevinta, will be entitled to:
- (a) approximately 39.5% of the voting rights and a 33.1% economic interest in Adevinta;<sup>32</sup> and
  - (b) two (out of eight)<sup>33</sup> representatives on the board of Adevinta.
48. The Parties did not dispute that the agreement would give Schibsted material influence over the Merged Entity. The CMA notes in addition to the agreement that Schibsted, through Adevinta, controls various online classified businesses across Europe and so can also be expected to have significant expertise and knowledge of this industry. It also retains a significant shareholding in Adevinta and board representation post-Merger.

*Conclusion on two or more enterprises ceasing to be distinct*

49. On the basis of the above, the CMA considers that both eBay and Schibsted will gain material influence over the Merged Entity as a result of the Merger. Given Schibsted's limited activities in the UK (aside from through Adevinta), this element of the relevant merger situation is not considered further in this Decision.

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<sup>32</sup> FMN, paragraph 2.22 goes on to state that, aside from eBay's and Schibsted's stakes, the remainder of Adevinta's shares will be free floating following the Merger. FMN, paragraph 7.1(b) states that shareholder attendance at General meetings following the transaction is expected to be c. 89%, based on historical attendance.

<sup>33</sup> See footnote 30 above.

### ***Turnover test/share of supply test***

50. The Parties submitted that the Merger meets the turnover test set out in section 23(1) of the Act as the combined UK turnover of eCG and Adevinta in 2019 was £[redacted] million.<sup>34</sup>
51. The combined UK turnover of eCG and Adevinta exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.

### ***CMA's conclusion on jurisdiction***

52. As such, the CMA considers that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
53. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 18 December 2020 and the statutory 40 working day deadline for a decision is therefore 16 February 2021.

### **Counterfactual**

54. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.<sup>35</sup>
55. At Phase 1, the CMA must choose the most competitive counterfactual provided it is also realistic (ie more than a fanciful or purely hypothetical possibility).<sup>36</sup> This means where there is more than one alternative counterfactual, both of which are realistic, the relevant counterfactual is the most competitive one.<sup>37</sup>
56. The prevailing conditions of competition would be a scenario in which eCG remains under the control of eBay, and eBay and Adevinta remain independent of one another. The Parties did not submit an alternative

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<sup>34</sup> FMN, paragraph 5.2.

<sup>35</sup> [Merger Assessment Guidelines](#) from paragraph 4.3.5.

<sup>36</sup> [Merger Assessment Guidelines](#), 4.3.5.

<sup>37</sup> This approach is supported by the counterfactual used at Phase 1 in Bottomline/Experian, for example.

counterfactual to the pre-Merger conditions of competition<sup>38</sup> and later submitted that there is no realistic prospect of a counterfactual that is more competitive than the prevailing conditions.<sup>39</sup>

57. The Parties also highlighted that they consider the Merger should be assessed against a situation in which FBMP continues to strengthen its position in online classified advertising.<sup>40</sup> The CMA considers the potential growth and further development of FBMP (and that of either the Parties or any of their competitors) in the competition assessment below, where the CMA assesses not just the static position, but also dynamic competition occurring in the market.
58. The CMA considered, for the purposes of its Phase 1 investigation, whether it should assess the competitive effects of the Merger against a counterfactual that is more competitive than the pre-Merger conditions. In particular, the CMA assessed whether it was realistic that eBay would have sold eCG:
- (a) to an alternate purchaser that is not already active in UK classifieds; and
  - (b) without retaining material influence over eCG's UK business post-merger.

### **eCG's sale process**

59. The Parties submitted that, following an eBay board decision in [REDACTED] to pursue a divestiture of eCG (which would include eBay's exit from UK classified activities), a sales process began that involved [REDACTED], with a competitive bidding process undertaken until July 2020.<sup>41</sup>
60. The Parties submitted that [REDACTED] bidders provided non-binding offers on [REDACTED]. However, following a board meeting on [REDACTED],<sup>42</sup> one of these bidders, [REDACTED] was rejected and formally excluded from the process due to [REDACTED]. By July 2020, eBay was left with final proposals from [REDACTED] remaining bidders (Adevinta, [REDACTED]).<sup>43</sup>

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<sup>38</sup> FMN, paragraph 11.1.

<sup>39</sup> Parties' Issues Letter Response, paragraph 88.

<sup>40</sup> FMN, paragraph 11.4.

<sup>41</sup> Annex 1 to eBay's response dated 20 November 2020 to the Section 109 Notice dated 30 October 2020, paragraphs 8 and 9.

<sup>42</sup> EBAY-006208, Special Transaction Minutes May [REDACTED] Draft (2).docx, [REDACTED], page 2.

<sup>43</sup> Annex 1 to eBay's response dated 20 November 2020 to the Section 109 Notice dated 30 October 2020, paragraphs 11 – 14.

61. Following the final offers and [REDACTED], eBay selected Adevinta as the winning bidder. eBay submitted that the reason it preferred Adevinta's bid was primarily because [REDACTED].<sup>44</sup>
62. Adevinta's successful bid comprised a combined consideration of cash and an equity stake in Adevinta in return for Adevinta's purchase of eCG from eBay. The CMA notes that eBay [REDACTED].<sup>45</sup>
63. Aside from Adevinta's successful bid, the CMA understands that the other final round bids (**Alternate Offers**) were broadly structured as follows:
  - (a) The [REDACTED] bid with eBay retaining a minority stake in the eCG business of 19.9%. The CMA has not done a detailed assessment of the shareholding, the associated rights, or other factors that may be relevant, but considers, *prima facie*, that a shareholding of this size could give rise to eBay retaining a level of control (ie material influence) in the eCG business.<sup>46, 47</sup> There is no pre-Merger competitive overlap in the UK between eBay and [REDACTED]. Additionally, the CMA observed evidence that a key pillar of this bid's value derived from [REDACTED], within the next couple of years (described further in paragraphs 100 to 105 below). (**Alternate Offer A**)
  - (b) [REDACTED] (so eBay would not retain any influence over eCG), and there is no pre-Merger competitive overlap in the UK between eBay and the bidder. (**Alternate Offer B**)
64. The CMA considers that Alternate Offer A where the UK eCG business is not retained and Alternate Offer B would both lead to the same outcome, which is separation of the ownership of eCG and eBay in the UK. Both of these bids would therefore be more competitive than the pre-Merger conditions of competition. The CMA has assessed below whether this outcome, ie the sale of eCG leading to eBay and eCG's UK business being independent, is realistic.

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<sup>44</sup> Parties' Issues Letter Response, paragraph 6.

<sup>45</sup> FMN, paragraph 2.35.

<sup>46</sup> [Mergers: Guidance on the CMA's jurisdiction and procedure](#), paragraph 4.20.

<sup>47</sup> eBay submitted that in its view [REDACTED] (Response to Supplementary Issues Letter, 8 February 2021, paragraph 18).

## ***Whether the more competitive counterfactual is realistic***

### *eBay's submissions*

65. As noted above, eBay submitted that the correct (and only realistic) counterfactual to assess the Merger against is the prevailing conditions of competition. In this regard, eBay set out the following points.

[REDACTED]<sup>48</sup>

66. eBay submitted that it considered the value of Adevinta's offer to be significantly higher than the Alternate Offers<sup>49</sup> and the other bids were rejected on their own terms.<sup>50</sup>

67. With regard to Alternate Offer A specifically, eBay submitted that the [REDACTED].<sup>51</sup>

68. Similarly, with regard to Alternate Offer B, eBay submitted that [REDACTED].<sup>52</sup>

69. The CMA considers this submission in greater depth from paragraph 87 below.

### *Alternate Offer A would not result in an independent eCG UK*

70. eBay submits that, under the scenario offered by Alternate Offer A (and had eBay accepted that bid), it is not realistic for the CMA to presume that [REDACTED] would have [REDACTED] eCG UK.<sup>53</sup>

71. Specifically, eBay sets out that it was unrealistic that eCG UK would [REDACTED], because: i) [REDACTED] eCG UK was not required by [REDACTED]; ii) [REDACTED] did not raise any due diligence questions with eBay during the eCG sale process which were suggestive of an [REDACTED]; iii) bids from a previous round (not the final bid) suggested [REDACTED] might be interested in [REDACTED] eCG UK; iv) [REDACTED] communicated that it would complete the transaction before deciding whether to (for example [REDACTED] eCG UK; and v) the financial valuation of the bid was not dependent on [REDACTED] eCG UK.<sup>54</sup>

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<sup>48</sup> Parties' Issues Letter Response, paragraphs 8 – 14.

<sup>49</sup> Parties' RFI response dated 22 December 2020, paragraphs 3.10.

<sup>50</sup> Parties' Issue Letter Response, section B(ii).

<sup>51</sup> Parties' Issues Letter Response, paragraph 67.

<sup>52</sup> Parties' Issues Letter Response, paragraph 67. The CMA also notes that eBay raised similar concerns about certain terms in Alternate Offer B in the Parties' RFI response dated 22 December 2020, paragraph 3.10 and 3.5.

<sup>53</sup> Parties' Submission following Supplementary Issues Meeting dated 10 February 2021 (**Supplementary Response**), section C.

<sup>54</sup> Supplementary Response, paragraphs 11–21.

72. The CMA considers this submission in greater depth from paragraph 100 below.

*Absent Adevinta's successful bid, the only realistic alternative scenarios involve eBay accepting Adevinta's previous bid or eBay reconvening the board for further deliberations*

73. eBay submitted that, [REDACTED] and closed the deal.<sup>55</sup> In the alternative, [REDACTED], eBay submitted that its board would have simply reconvened for further deliberations.<sup>56</sup>

74. In response, the CMA notes that the counterfactual is an analytical tool used to provide a comparison of the prospects for competition with the merger against the competitive situation without the merger.<sup>57</sup> In this regard, the CMA notes that it cannot assess the Merger against a situation involving the same merging parties on broadly the same terms (ie the sale of eCG to Adevinta for a lesser sum).

75. Similarly, as set out at paragraph 55, the CMA must choose the most competitive counterfactual provided it is also realistic and, therefore, what eBay considers the most *likely* scenario is not relevant to the CMA's counterfactual assessment.

*The relevant counterfactual is what would happen in the absence of the Merger today and eBay would now not have the same motivations to sell eCG today as it did in early 2020*

76. eBay submitted that:

(a) [REDACTED];<sup>58</sup> and

(b) [REDACTED].<sup>59</sup>

77. Accordingly, eBay therefore submitted that the counterfactual should be decided on the basis of the circumstances existing today (in which it is, by implication, more likely that eCG would have been retained).<sup>60</sup>

78. In response, the CMA notes that it cannot consider events that occur as a direct result of a merger as part of the relevant counterfactual. In this case,

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<sup>55</sup> Supplementary Response, paragraph 4.

<sup>56</sup> Parties' Issue Letter Response, paragraph 14.

<sup>57</sup> [Merger Assessment Guidelines](#), paragraph 4.3.1.

<sup>58</sup> Parties' Issues Letter Response, paragraph 17.

<sup>59</sup> Parties' Issues Letter Response, paragraph 17.

<sup>60</sup> Parties' Issues Letter Response, paragraph 15.

the CMA considers that the [X] following the board's decision to pursue the sale of eCG.

79. In addition, the CMA considers it can place limited weight on eBay's submission that the CEO may now have a different perspective on the Merger. The CMA notes that the new CEO began their role before the deal was signed and therefore had the opportunity to raise concerns and try to stop the sale of eCG. The CMA has observed no evidence to this effect.

*The CMA's approach in this case could have unintended adverse consequences*

80. The Parties submitted that the CMA's approach to assessing the bidding process for eCG would mean that sellers would always need to pick the most pro-competitive bid, even if that bid was less attractive or had other drawbacks. The Parties argued that this could distort the bidding and selection process particularly in cross-border deals.
81. The CMA considers that it is a decision for merging parties as to how to take account of regulatory risk whilst conducting a transaction. However the CMA will only look to intervene in mergers that raise competition concerns, and it is not part of the CMA's remit to take account of the returns to shareholders when considering whether a merger raises competition concerns.<sup>61</sup> Further, for the CMA to adopt an alternative bid as the counterfactual in its assessment requires the alternative bid to be realistic. Where a bid was unattractive or unfeasible, the CMA would expect the evidence from the bidding process to show that a bid was unacceptable and therefore not realistic. The CMA considers evidence in this case to show the Alternate Offers were realistic (see assessment below).

*CMA's assessment*

82. The CMA reviewed an extensive set of internal documents provided by the Parties in order to ascertain whether the scenario envisaged by the Alternate Offers is realistic.
83. The CMA considers that eBay's internal documents show that the Alternate Offers were considered by eBay's board as viable alternatives to Adevinta's

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<sup>61</sup> This would be consistent, for example, with the approach taken by the CMA when considering alternative purchasers under a failing firm scenario, whereby a less attractive purchase price would not rule out a counterfactual in which there is a merger with an alternative purchaser; see [Merger Assessment Guidelines](#), paragraph 4.3.17.

successful bid and, in the absence of Adevinta's bid, there is a realistic prospect that one of these offers would have been accepted.

#### *eBay retaining eCG*

84. The CMA has not observed any evidence that absent the sale to Adevinta, eBay would have retained eCG.
85. As noted already (at paragraphs 32 and 59) eBay made a decision to sell eCG in [REDACTED] and the CMA has not been provided with any evidence to support the notion that the eCG business would have been retained, absent Adevinta's successful bid.
86. In this respect, the CMA notes that eBay has *not* stated that eCG would have been retained absent Adevinta's bid, and [REDACTED].<sup>62</sup> The CMA notes that eBay does not go as far as to state that eCG would have been retained and/or a new (and different) sale process would have begun.

#### *The Alternate Offers*

87. The CMA considers that the evidence suggests that the board considered all final round bids could be acceptable to eBay, implying the Alternate Offers are realistic.
88. The evidence reviewed by the CMA suggests that:
  - (a) eBay's board was advised that [REDACTED]<sup>63</sup> and that all of the final round bids were considered to be [REDACTED].<sup>64</sup> The same document notes that the management recommendation was to [REDACTED].<sup>65</sup>
  - (b) Similarly, on [REDACTED], eBay's board decided [REDACTED].<sup>66</sup> The CMA considers that on a plain reading of this board resolution, eBay's board, having received and reviewed the final bids, decided [REDACTED].
89. The CMA believes that this is strong evidence that the board, in principle, considered that [REDACTED] bids were acceptable. Had they not thought this, the CMA believes: [REDACTED].

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<sup>62</sup> Parties' Issues Letter Response, paragraph 71.

<sup>63</sup> EBAY-006209, BOD Minutes [REDACTED] Draft.docx, [REDACTED] page 2.

<sup>64</sup> EBAY 004835, [REDACTED]Board Materials\_vF[3].pdf, [REDACTED], pages 4 and 11.

<sup>65</sup> For completeness, the CMA considers that, here, the term [REDACTED] implies that the other bids could be returned to (and possibly accepted) in the event that Adevinta's bid collapsed.

<sup>66</sup> EBAY-006207, BOD Minutes [REDACTED] FINAL.docx, [REDACTED], page 7.



90. As regards eBay's submission that **Alternate Offer A** [REDACTED], the CMA notes that:
- (a) [REDACTED];<sup>67</sup>
  - (b) [REDACTED];<sup>68</sup> and
  - (c) [REDACTED].<sup>69</sup>
91. As regards eBay's submissions that **Alternate Offer B** [REDACTED]. However, the CMA believes that [REDACTED]. The evidence in support of this is as follows:
- (a) [REDACTED].<sup>70</sup> The CMA considers that this indicates that [REDACTED].<sup>71</sup>
  - (b) [REDACTED].<sup>72</sup>
  - (c) [REDACTED].<sup>73</sup>
  - (d) [REDACTED].<sup>74, 75</sup>
  - (e) [REDACTED].<sup>76</sup> The CMA considers that [REDACTED].<sup>77</sup>
  - (f) Whilst an eBay internal email states [REDACTED]<sup>78</sup> [REDACTED].<sup>79</sup> Even if this were the case, it is not clear that [REDACTED].
92. As mentioned above and discussed further below, the CMA considers that the evidence shows that eBay [REDACTED].

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<sup>67</sup> See paragraph 97 below.

<sup>68</sup> For example, see Parties' Response of 1 February 2021 to CMA's questions of 28 and 29 January 2021, Annex IR Questions Q.4.1, Buyer calls.msg; and Parties' Issues Letter Response, Annex 1, Oak updates.pdf.

<sup>69</sup> Supplementary Response dated 8 February 2021, Annex 1, Partnership with eBay.

<sup>70</sup> Parties' Response of 1 February 2021 to CMA's questions of 28 and 29 January 2021, Annex IR Questions Q.5.1, Re Quick one.msg.

<sup>71</sup> The CMA also notes that in an eBay internal document (Annex 008.C.3, eBay Classifieds Group, January 2020, page 10), which was produced by eBay at an early stage in the sale process, eBay [REDACTED].

<sup>72</sup> [REDACTED]

<sup>73</sup> [REDACTED]

<sup>74</sup> Parties' Issues Letter Response, Annex 7, Email from [REDACTED].

<sup>75</sup> In this regard, the CMA notes that the merits of the bids were debated until shortly before Adevinta's final offer was accepted [REDACTED] (EBAY-005965, Oak Talking Points v04.docx, [REDACTED]) and Annex 009.D.3, [REDACTED]Board Materials\_Vf.pdf, [REDACTED], page 4.

<sup>76</sup> Parties' Issues Letter Response, Annex 7, Email from [REDACTED].

<sup>77</sup> The CMA notes that these [REDACTED] would favour the [REDACTED] bid. (Parties' Issues Letter Response, paragraph 78(iv)(c)).

<sup>78</sup> Parties' Issues Letter Response, Annex 1, Oak updates.pdf.

<sup>79</sup> See paragraph 99 below for further discussion on this point.

93. The CMA was provided an eBay email from [REDACTED].<sup>80</sup> This email sets out [REDACTED]. As mentioned in paragraph 91(f) above, the CMA has not received evidence showing eBay communicated to [REDACTED] (ie exit the bidding process).
94. The CMA considers that this correspondence reflects that [REDACTED] remained on standby [REDACTED].
95. The CMA has considered eBay's submission [REDACTED].<sup>81</sup> The CMA notes that [REDACTED].<sup>82</sup> Additionally, the CMA considers that [REDACTED],<sup>83</sup> [REDACTED].
96. Finally, the CMA considers that the evidence shows [REDACTED].
97. The CMA has been provided with handwritten notes taken at the board meeting on [REDACTED].<sup>84</sup> At this board meeting, [REDACTED].
98. These notes capture that [REDACTED].<sup>85</sup> The CMA considers this to be evidence that, whilst certainly the board's preferred bid was Adevinta,<sup>86</sup> the other bids [REDACTED] absent the Adevinta bid.
99. On the basis of the above evidence, the CMA considers it realistic that absent Adevinta's successful bid, the Alternate Offers would have represented an acceptable alternative to [REDACTED].

#### *The outcome for eCG UK under Alternate Offer A*

100. Having reviewed eBay's internal documents (including documents provided to eBay from the [REDACTED] as part of their bid), the CMA considers that it is realistic that eCG UK would [REDACTED] as part of Alternate Offer A [REDACTED].
101. eBay submitted that [REDACTED]<sup>87</sup> [REDACTED].<sup>88, 89</sup>
102. The [REDACTED] presentation of [REDACTED] to eBay's board explains that eCG would [REDACTED].<sup>90</sup> This presentation further explains that one of the [REDACTED] <sup>91</sup> [REDACTED].<sup>92</sup> The CMA also notes that this slide, as well as others from [REDACTED] presentation, are copied and

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<sup>80</sup> Parties' Response of 1 February 2021 to CMA's questions of 28 and 29 January 2021, Annex IR Questions Q.4.1, Buyer calls.msg.

<sup>81</sup> Parties' Issues Letter Response, paragraph 72.

<sup>82</sup> As set out above at paragraph 60.

<sup>83</sup> As set out above at paragraph 93.

<sup>84</sup> Parties' Issues Letter Response, Annex 3, Meeting Notes from eBay Board Meeting, [REDACTED].

<sup>85</sup> Parties' Issues Letter Response, Annex 3, Meeting Notes from eBay Board Meeting, [REDACTED].

<sup>86</sup> For clarity, the CMA also considers that a preference for (or the selection of) one bid over another bid does not amount to a rejection of such other bid.

<sup>87</sup> Parties' Issues Letter Response, paragraph 120.

<sup>88</sup> Parties' Issues Letter Response, paragraph 11.

<sup>89</sup> In the CMA's view, the description of Alternate Offer A being [REDACTED] implies that [REDACTED].

<sup>90</sup> EBAY-005101, [REDACTED]- eBay Presentation - vF.pdf, [REDACTED], page 27.

<sup>91</sup> EBAY-005101, [REDACTED]- eBay Presentation - vF.pdf, [REDACTED], page 8.

<sup>92</sup> EBAY-005101, [REDACTED]- eBay Presentation - vF.pdf, [REDACTED], page 11.

pasted into the eBay board presentation of [REDACTED].<sup>93</sup> The CMA considers this shows that eBay's board were aware (and acknowledged) this aspect of Alternate Offer A, and that eBay's management therefore understood that the [REDACTED] Alternate Offer A [REDACTED] was predicated on the [REDACTED] of eCG UK.

103. The presentation further sets out that [REDACTED] expected eBay's retained stake [REDACTED]<sup>94</sup>. [REDACTED],<sup>95</sup> [REDACTED],<sup>96</sup> [REDACTED].<sup>97</sup>
104. Additionally, in its model illustrating the [REDACTED]<sup>98</sup>, [REDACTED].<sup>99</sup> The CMA further understands from this model that the [REDACTED] would [REDACTED],<sup>100</sup> [REDACTED],<sup>101</sup> [REDACTED].<sup>102</sup>
105. The CMA considers that the available evidence indicates that [REDACTED] eCG UK [REDACTED]. In those terms, the CMA considers that it is realistic to consider that the eCG UK business [REDACTED], in the scenario proposed by Alternate Offer A.

### ***Conclusion on the relevant counterfactual***

106. The evidence available to the CMA demonstrates eBay's intention to divest the eCG business and that, absent the sale to Adevinta, it is realistic to believe that eCG would have been sold to an alternate bidder with no overlapping activities in the UK and without eBay retaining any control over eCG's UK business. Evidence obtained from eBay indicates that this would have been the outcome of [REDACTED] Alternate Offers, and that it is realistic for the CMA to believe eBay would have accepted [REDACTED] one of the Alternate Offers.
107. The CMA therefore considers the most relevant counterfactual against which to assess the competitive effects of the Merger is the sale of eCG's UK business to an alternate purchaser that does not have overlapping activities in the UK, resulting in eBay, eCG and Adevinta being independent competitors in the UK.

### **Frame of reference**

108. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the

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<sup>93</sup> Annex 009.D.4 - [REDACTED]Oak Board Materials vF.pdf, at pages 10-13.

<sup>94</sup> EBAY-005101, [REDACTED] eBay Presentation - vF.pdf, [REDACTED], page 4.

<sup>95</sup> Annex 009.D3, [REDACTED] Board Materials\_vF.pdf, pages 16 and 19.

<sup>96</sup> Annex 009.D.4, [REDACTED]Oak Board Materials vF.pdf, pages 30-32.

<sup>97</sup> Annex RF11 Q.48.3, [REDACTED]Oak Board vDraft.pdf, pages 4 and 13-14.

<sup>98</sup> Email and attachments from [REDACTED] (on behalf of eBay) to the CMA, dated 8 February 2021.

<sup>99</sup> [REDACTED]Project Oak – LBO(Sent).xlsx; see cells E19 and L22, which the CMA [REDACTED].

<sup>100</sup> [REDACTED]Project Oak – LBO(Sent).xlsx. See the notes for cell E57.

<sup>101</sup> [REDACTED]Project Oak – LBO(Sent).xlsx. See the change between cells E56 and F56.

<sup>102</sup> [REDACTED]Project Oak – LBO(Sent).xlsx. See the note for cell F9 and resulting improvements to margin in cells F11, G11 and H11.

market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>103</sup>

109. The Parties operate multi-sided platforms, which bring together buyers and sellers of goods online, whilst also bringing together consumers and online display advertisers (particularly in the case of Gumtree and Shpock). The CMA's approach to assessing mergers involving multi-sided platforms may be based on an overall assessment of competition between platforms or may alternatively involve assessing each side of the platform separately. In this case, the CMA has made an overall assessment of competition between platforms. This reflects the strong interaction between buyers and sellers on each of the platforms, and that display advertising is only attracted to the Parties' platforms because sellers have listed products for sale and buyers are visiting the platforms.
110. As noted above (see paragraphs 23 to 26), the Parties supply classified advertising services and online marketplaces. The CMA notes the following points about classified advertising and online marketplaces by way of background:
- (a) Classified advertising is one of three types of digital advertising (alongside search and display advertising) and generally refers to online platforms that provide advertisers with the ability to list specific products and/or services for sale, and for consumers to make comparisons across those listings.<sup>104</sup> Sales have traditionally been arranged off the platform, but some classified advertising platforms now do incorporate transactional features.<sup>105</sup>
  - (b) 'Generalist' or 'horizontal' classified advertising refers to platforms that provide classified advertising for a broad range of consumer goods, in contrast to 'specialist' or 'vertical' classified advertising platforms, which focus on specific products or services (primarily in relation to motor vehicles, property, or jobs).<sup>106</sup>
  - (c) Online marketplaces generally refer to online platforms that enable sellers to list specific products for sale to consumers, and where transactions, in

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<sup>103</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

<sup>104</sup> See further CMA, [Online Platforms and Digital Advertising Market Study](#), 1 July 2020, paragraphs 2.43-2.55.

<sup>105</sup> See further paragraph 117(c).

<sup>106</sup> FMN, paragraph 12.26.

terms of purchase and delivery, are arranged on the platform.<sup>107</sup>

Marketplaces may focus on selling new goods provided by professional sellers (ie B2C sales), but may also offer used goods sold by private sellers (ie C2C sales).

111. The CMA identified overlaps between the Parties in:

- (a) generalist online classified advertising services and C2C online marketplaces (overlap between Adevinta's Shpock, eCG's Gumtree, and the C2C segment of eBay Marketplace); and
- (b) two vertical categories:<sup>108</sup>
  - (i) online classified advertising platforms and online marketplaces for agricultural machinery, construction machinery and trucks (overlap between Adevinta's MB Diffusion, eCG's Gumtree, and eBay Marketplace); and
  - (ii) online classified advertising platforms and online marketplaces for motor vehicles (overlap between Adevinta's Shpock, eCG's Gumtree and Motors.co.uk, and eBay Marketplace).

Each of these are considered in turn below.

### ***Generalist online classified advertising platforms and C2C online marketplaces***

#### *Product scope*

112. The Parties submitted that all classified advertising platforms compete with one another (including generalist and vertical platforms) as part of the same relevant product market. However, they did also accept that, for the purposes of the CMA's competitive assessment, in relation to the 'generalist' or 'horizontal' aspects of the Parties' platforms, the narrowest plausible candidate market in which they overlapped was online classified advertising services on generalist platforms, where eCG is active through Gumtree, eBay is active to a limited extent with classifieds offered through eBay Marketplace and Adevinta is active through Shpock.<sup>109,110</sup>

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<sup>107</sup> FMN, paragraph 13.2.

<sup>108</sup> There is also a very minor overlap in the supply of online classified holiday rental advertising services in the UK (provided by Adevinta's Locasun, eCG's Gumtree and eBay Marketplace) where the Parties' combined share is less than [0-5]%. This area is not considered further in this decision.

<sup>109</sup> FMN, paragraph 12.86.

<sup>110</sup> The majority of classified ads on eBay Marketplace are for motor vehicles (FMN, Table 6). See also footnote 157.

113. As its starting point, the CMA has taken the supply of online generalist classified advertising services and has considered whether this frame of reference should be widened to include online marketplaces, and in particular, the C2C activities of online marketplaces. The CMA also considered whether to widen the product frame of reference to include vertical classified advertising services.

#### *Online marketplaces*

- *Parties' submission*

114. The Parties submitted there is limited substitutability between classified advertising platforms, such as those offered by Shpock and Gumtree, and online marketplaces,<sup>111</sup> such as eBay Marketplace.<sup>112</sup>

115. According to the Parties, online marketplaces are distinguishable from generalist classified advertising platforms in a number of ways:

(a) **Marketplaces focus on B2C sales of new goods compared to classifieds that focus on C2C sales of used goods.** The Parties note that this is borne out by the listings on their respective platforms:<sup>113</sup>

(i) **Shpock:** C2C listings amounted to [90-100]% of Shpock's live listings on 30 June 2020, whilst only c.[0-5]% of goods listed on Shpock are new goods (based on 2019 monthly average).

(ii) **Gumtree:** C2C listings amounted to [80-90]% of Gumtree live listings on 30 June 2020, whilst c.[90-100]% of listings in the generalist category on Gumtree relate to used goods (in Q1 2020).

(iii) **eBay Marketplace:** [80-90]% of eBay Marketplace live listings relate to B2C, whilst [60-70]% of live listings relate to new goods, on 30 June 2020.<sup>114</sup>

(b) **On vs off-platform transactions.** Online marketplaces offer mandatory on-platform transactions and centralised customer policies (and typically levy a transaction fee on sellers), whereas generalist classified advertising platforms do not require transactions to be completed on the platform and sellers can typically list and sell for free.<sup>115</sup> For this and reasons related to

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<sup>111</sup> For an explanation of what classifieds and marketplaces are, see paragraph 110.

<sup>112</sup> FMN, paragraph 12.64, see also paragraphs 12.34-12.48.

<sup>113</sup> FMN, Table 9.

<sup>114</sup> The Parties also presented data showing [30-40]% of eBay C2C listings are for new goods (Parties' Issues Letter Response, paragraph 145 and Figure 2).

<sup>115</sup> FMN, paragraph 12.47(b).

delivery and return options, the Parties submitted that the buyer and seller experience on a marketplace is not substitutable to that of classifieds.<sup>116</sup>

- (c) **Geographic reach.** Online marketplaces have a national or international geographic reach, since purchase and delivery are facilitated on the platform, whereas generalist classified advertising platforms typically connect buyers and sellers in the same local area as purchase and delivery must be made in person.<sup>117</sup>
- (d) **Frequent sellers.** Online marketplaces rely on high frequency, experienced C2C sellers, whereas generalist classified advertising platforms tend to be used by sellers making infrequent sales.<sup>118</sup> The Parties presented data showing that [redacted]% of C2C sellers on eBay Marketplace have more than 10 listings per year, whereas [less than 50]% of Shpock and [redacted]% of Gumtree sellers have more than 10 listings per year.<sup>119</sup>

- *Discussion of evidence*

116. From a demand-side perspective, C2C sellers are able to list their products on either a generalist classified platform or on a marketplace that allows C2C listings, and potential buyers can browse these sites in a similar way. A number of generalist classified platforms and online marketplaces carry both B2C and C2C listings. Whilst B2C sales may tend to predominate on online marketplaces, C2C sales may still constitute a significant part of overall sales. For example [20-30]% of eBay's overall revenue is related to C2C sales.<sup>120</sup> eBay's internal documents also refer to C2C sales as being an [redacted].<sup>121</sup>
117. eBay's internal documents discuss eBay Marketplace's business strategy and track and monitor competitive conditions in relation to C2C separately to B2C listings.<sup>122</sup> In relation to C2C listings on online marketplaces, the CMA notes the following points:
- (a) **New vs used goods.** Within the C2C part of online marketplaces used goods would appear to predominate, similar to a generalist classified

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<sup>116</sup> FMN paragraph 12.66.

<sup>117</sup> The Parties submitted that the results of a [redacted] (see paragraph 193(a)) [redacted] (Parties' Issues Letter Response, Figure 3). The CMA notes that the [redacted]. More generally, the CMA believes that, despite some differences [redacted].

<sup>118</sup> Parties' Issues Letter Response, paragraph 146.

<sup>119</sup> Parties' Issues Letter Response, Figure 4. Note, this is based on annualising listing data from 2020 H1.

<sup>120</sup> FMN, Table 1.

<sup>121</sup> [redacted]. See EBAY-003741 BoardofDirectors-[redacted]-Meeting-v1.pdf, [redacted], page 31; Annex 009.D.2 - Deals Update\_BoD [redacted]\_vFINAL.pdf, [redacted], page 44; and EBAY-005108, 'Committee Update [redacted]', pages 16-17. 'C2C is c.[30-40]% of eBay gross merchandise volume' (EBAY-006746 190502\_C2C\_Strategy\_Shared.pptx, 2 May 2019, page 61).

<sup>122</sup> See eg, EBAY-007049, 190425\_C2C market\_Country loops.pdf.

advertising platform. For example, most ([60-70]%) of eBay Marketplace's C2C listings as at 30 June 2020 were used goods.<sup>123</sup>

- (b) **Listing fees.** C2C sellers are often treated differently to B2C sellers on online marketplaces in terms of the fees applicable to them. For example, on eBay Marketplace, C2C sellers can list items for free (similar to the approach taken by generalist classified advertising platforms) whereas B2C sellers are charged listings fees.<sup>124</sup>
- (c) **On vs off-platform transactions.** Whilst the principal distinguishing feature of online marketplaces is that they facilitate transactions (in terms of purchase and delivery) on the platform, these features are increasingly featured on generalist classified advertising platforms – a trend that the Parties acknowledge.<sup>125</sup> For example, in the UK, Depop, Vinted, and Shpock all offer transactional features on their platforms despite the Parties identifying them as classified platforms.<sup>126</sup> The Parties did not provide evidence indicating that the buyer experience on classified sites offering transactional features and other buyer options is not similar to the buyer experience on online marketplaces.
- (d) **Geographic reach.** Though generalist classified advertising platforms typically connect buyers and sellers in the same local area, it is feasible for delivery to be arranged off-platform, thereby providing a national reach. Additionally, there are many items on eBay Marketplace which are collection only due to their size/weight. Finally, as generalist classified advertising platforms have increasingly offered transactional features (as discussed above), this also widens the geographic reach of these platforms, enabling sellers and buyers to connect nationally and internationally.
- (e) **Frequent sellers.** Though a higher proportion of C2C sellers on eBay Marketplace have more than 10 listings per year compared to Shpock and Gumtree, they are not insignificant proportions on Shpock and Gumtree.<sup>127</sup> This suggests that high frequency sellers can, and do, use both online marketplaces and generalist classified advertising platforms.

118. The CMA considers that, while there are some differences between generalist classified advertising platforms and the C2C element of online

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<sup>123</sup> Parties' response to RFI 3, paragraph 8.1

<sup>124</sup> FMN, footnote 113.

<sup>125</sup> FMN, paragraph 12.5.

<sup>126</sup> The CMA notes that, while some of these generalist classified advertising platforms, such as Shpock, do not currently charge a transaction fee; others, such as Depop, do so; and that the transaction fee is only one aspect of the competitive offering.

<sup>127</sup> Parties' Issues Letter Response, Figure 4. Note, this is based on annualising listing data from 2020 H1.



marketplaces,<sup>128</sup> the distinction is becoming less clear-cut. eBay's internal documents acknowledge a growing convergence between C2C online marketplaces and generalist classified platforms. For example, an eBay internal document from [REDACTED].<sup>129</sup>

119. eBay's documents also include generalist classified advertising platforms within eBay Marketplace's C2C competitor set. For example, an eBay internal document, [REDACTED].<sup>130</sup>
120. The Parties acknowledged that FBMP, a generalist classified advertising platform, is one of the best alternatives to eBay Marketplace.<sup>131</sup> The CMA treats FBMP as an online generalist classified platform in the UK, as FBMP enables users to list and browse items within a specific geographic area in a structured manner.<sup>132</sup> As set out in paragraphs 193 and from paragraph 215 onward, eBay's internal documents indicate that eBay Marketplace [REDACTED] monitors FBMP as a [REDACTED] competitor and refers to FBMP as [REDACTED].
121. All of the generalist classified advertising platforms that responded to the CMA's question concerning their competitors identified online marketplaces as competitors. Further, of these platforms that listed their top five competitors, all included eBay Marketplace. Additionally, one online marketplace competitor responding to the same question listed FBMP within its top five competitors.
122. As noted at paragraph 116 above, a number of online marketplaces, such as eBay Marketplace, carry both B2C and C2C listings. The Parties submitted that if the frame of reference includes the C2C activities of online marketplaces, it should also include the B2C activities of online marketplaces due to the substitutability of C2C and B2C listings – from both demand and supply-side perspectives.<sup>133</sup>
123. The CMA considers that there is a substitutability on the buyer-side, as buyers can typically view C2C and B2C listings alongside each other on online marketplaces and easily switch between them. However, as noted in paragraph 117(b), C2C and B2C sellers are typically treated differently, in particular in terms of the fees applicable to sellers, suggesting there is limited substitutability on the seller-side.

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<sup>128</sup> The Parties submitted that the results of a [REDACTED] (Parties' Issues Letter Response, Figure 3). However, the CMA believes that, despite some differences, the results of the survey as a whole indicate that both sellers and buyers view online marketplaces and classified advertising platforms as substitutes.

<sup>129</sup> EBAY-005008, Competitive Landscape\_BoD\_v2.pptx, [REDACTED], page 2.

<sup>130</sup> EBAY-007049, 190425\_C2C market\_Country loops.pdf, pages 10-12.

<sup>131</sup> Parties' Issues Meeting Presentation, 25 January 2021, slide 19.

<sup>132</sup> See from paragraph 214 for discussion of FBMP.

<sup>133</sup> Parties' Issues Letter Response, paragraph 149.

124. On the supply-side, the Parties submitted that existing marketplaces with mostly B2C listings could straightforwardly expand into C2C listings.<sup>134</sup> However, the CMA believes barriers to expansion (see from paragraph 260) may mean it is difficult for an existing marketplace to successfully expand into C2C listings in a sufficiently timely manner.

- *Conclusion on online marketplaces*

125. For all of the above reasons, the CMA believes that C2C online marketplaces (including the C2C segment of eBay Marketplace) and online generalist classified advertising platforms pose a competitive constraint on each other. On this basis, the CMA considers it appropriate to include C2C online marketplaces in the frame of reference. The CMA has not included the B2C listings of online marketplaces in the frame of reference, but has taken account of the potential constraint on the buyer side from B2C listings in the competitive assessment section below.<sup>135</sup>

*Other types of classified advertising platforms*

- *Parties' submissions*

126. The Parties submitted that platforms with all types of classified advertising compete with one another (including generalist and vertical platforms) as part of the same product frame of reference.<sup>136</sup> In the Parties' view:

- (a) From a demand-side perspective, generalist classified advertising platforms compete with vertical platforms for buyers and sellers;<sup>137</sup> and
- (b) From a supply-side perspective, online classified advertising platforms use largely the same technical tools and infrastructure to deliver listings and provide display and search features in different product categories.

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<sup>134</sup> Parties' Issues Letter Response, paragraph 154.

<sup>135</sup> The CMA has included B2C as well as C2C generalist listings on classified advertising platforms because it believes that B2C listings are attracted to generalist classified advertising platforms because of the C2C listings which are the focus of generalist classified advertising platforms. Furthermore, unlike online marketplaces, B2C sellers on classified advertising platforms do not generally pay fees for generalist listings, and account for only a small proportion of generalist listings on classified advertising platforms (see paragraph 115(a) for data on Shpock and Gumtree).

<sup>136</sup> FMN, paragraphs 12.55-58.

<sup>137</sup> The Parties submitted that this competitive dynamic is shown in Shpock's internal documents (Parties' Issues Letter Response, paragraph 158). In particular the Parties argue that [REDACTED]. However, the CMA notes that this internal document [REDACTED].

- *Discussion of evidence*

127. The CMA considers that the available evidence does not support widening the product frame of reference of generalist classified advertising platforms to include vertical classified advertising platforms.
128. First, from a demand-side perspective, consumers are unlikely to consider classified advertising services for specific product categories or services to be substitutable with classified advertising covering a broad range of consumer goods listings. For example, a consumer looking to buy or sell home furnishings or fashion items will not consider a vertical classified advertising platform focussed on jobs or property.
129. Second, the CMA does not observe evidence of supply-side substitution. The CMA's guidance<sup>138</sup> states that the CMA will consider supply-side substitution where firms can quickly shift capacity between products/services and where the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product. The Parties have not provided any examples where vertical classified advertising platforms have switched to offer generalist classified advertising services. Furthermore, the conditions of competition are different, with vertical classified platforms such as Autotrader and Rightmove not present in the generalist space.
130. The CMA has not identified any internal documents of either Shpock or Gumtree that monitor, track or discuss vertical classified advertising platforms as competitors to their generalist classified advertising services. None of the generalist classified advertising platforms that responded to the CMA's Merger investigation identified vertical classified advertising platforms amongst their competitors.
131. Finally, although the CMA has not previously considered a product frame of reference for generalist classified advertising platforms, it has previously defined separate frames of reference for vertical online classified advertising platforms, including in relation to motor vehicles (*eBay/Motors.co.uk*<sup>26</sup>) and property (*The Digital Property Group Limited/Zoopla Limited*<sup>27</sup>).
132. For these reasons, the CMA has not include vertical classified advertising platforms in the relevant frame of reference.

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<sup>138</sup> [Merger Assessment Guidelines](#), paragraph 5.2.17.

### *Conclusion on product scope*

133. In view of the above, the CMA has considered competition within a product frame of reference encompassing online generalist classified advertising services and C2C online marketplaces.

### *Geographic scope*

134. The Parties submitted that the market for online classified advertising services is UK-wide, noting that online classified advertising platforms typically target a local audience.<sup>139</sup> The Parties highlighted that platforms address audiences in their native language and that because the transaction occurs directly between the buyer and seller, geographic proximity between buyer and seller is typical.<sup>140</sup>
135. The CMA notes similarly that C2C online marketplaces have websites tailored to the customer's location, language and currency; with the bulk of transactions (by GMV) on eBay Marketplace being between UK buyers and sellers, and eBay Marketplace's internal documents discussing its commercial strategy and tracking competitive conditions do so specifically for the UK.
136. Whilst the CMA has not previously considered a geographic frame of reference for generalist classified advertising platforms and C2C online marketplaces, it has defined a UK-wide geographic frame of reference for vertical online classified advertising platforms, including in relation to motor vehicles (*eBay/Motors.co.uk*) and property (*The Digital Property Group Limited/Zoopla Limited*).<sup>141</sup>
137. For the reasons set out above, the CMA believes that the UK is the geographic frame of reference for online generalist classified advertising services and C2C online marketplaces.

### ***Online classified advertising platforms and online marketplaces for agricultural machinery, construction machinery and trucks***

138. As set out above, the Parties submitted that all classified advertising platforms compete with one another (including generalist and vertical platforms) as part of the same relevant product market. However, they did also accept that, for

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<sup>139</sup> FMN, paragraphs 12.87–12.93.

<sup>140</sup> FMN, paragraph 12.88.

<sup>141</sup> Anticipated acquisition by eBay Inc of Motors.co.uk Limited, 12 February 2019, paragraphs 41 and 42; Anticipated merger between The Digital Property Group Limited and Zoopla Limited, 16 April 2012 (OFT), paragraph 24. In Amazon/Deliveroo, the CMA defined a UK-wide geographic frame of reference for the supply of logistics-enabled e-commerce marketplaces. Anticipated acquisition by Amazon of a minority shareholding and certain rights in Deliveroo, 11 December 2019, paragraph 75(c).

the purposes of the CMA's competitive assessment, one of the narrowest plausible candidate markets in which they overlapped was online classified advertising services for agricultural machinery, construction machinery and trucks, in which eCG is active through Gumtree and Motors.co.uk, eBay is active through eBay Marketplace and Adevinta is active through MB Diffusion.<sup>142</sup>

139. For similar reasons to those set out above in relation to online generalist classified advertising services, the CMA has included eBay Marketplace and other online marketplaces as well as classified advertising platforms in the frame of reference. The CMA does not believe there is a meaningful distinction between B2C and C2C listings in these categories and therefore included B2C listings of online marketplaces (as well as classified advertising platforms) in the frame of reference.
140. For similar reasons to those set out above in relation to online generalist classified advertising services and C2C online marketplaces, the CMA believes the appropriate geographic scope within which to consider competition is the UK.
141. The CMA found that the Parties are not close competitors in the supply of online classified advertising platforms and online marketplaces for agricultural machinery, construction machinery and trucks. This is because eCG's activity in the sector through Gumtree is very limited,<sup>143</sup> and MB Diffusion's sites are specialised platforms dedicated to agricultural machinery, construction machinery and trucks,<sup>144</sup> compared to eBay Marketplace, which is a more general site without the specialised features of MB Diffusion's sites. Moreover, the Parties face competition in this area from a number of other platforms including those run by Autotrader, Mascus, Sandhills<sup>145</sup> and Commercial Motor.<sup>146</sup> For these reasons, the CMA does not have concerns regarding a loss of competition in the supply of online classified advertising platforms and online marketplaces for agricultural machinery, construction machinery and trucks in the UK, and has not considered it further in this decision.

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<sup>142</sup> FMN paragraph 12.86.

<sup>143</sup> eCG's 2019 UK revenue from online classified advertising platforms for agricultural machinery, construction machinery and trucks was about £[redacted] (Parties' response to questions of 10 December 2020).

<sup>144</sup> MB Diffusion's platforms are Agriaffaires, MachineryZone and Truckscorner. Adevinta's 2019 UK revenue from these platforms was also limited, about £[redacted] (FMN, paragraph 3.3b)

<sup>145</sup> Sandhills runs the Truck Machinery Locator, Farm Machinery Locator and Machinery Trader platforms.

<sup>146</sup> Commercial Motors is only active in trucks.

## ***Online classified advertising platforms and online marketplaces for motor vehicles***

142. The CMA believes a similar approach is appropriate to consider competition between online classified advertising platforms and online marketplaces for motor vehicles,<sup>147</sup> where eCG is active through Gumtree and Motors.co.uk, eBay is active through eBay Marketplace and Adevinta is active to a limited extent through Shpock.<sup>148</sup>
143. The CMA therefore considered competition in the supply of online classified advertising platforms and online marketplaces for motor vehicles in the UK. This is similar to the approach adopted by the CMA in *eBay / Motors.co.uk*.<sup>149</sup>
144. In *eBay / Motors.co.uk*, the CMA found that the Parties faced strong constraints from Autotrader, the market leader, and from CarGurus, a rapidly growing and aggressive rival. The CMA believes that this continues to be the case and additionally the Parties also now face a constraint from FBMP, in particular for C2C sales. For these reasons, the CMA does not have concerns regarding the current merger leading to a loss of competition in the supply of online classified advertising platforms and online marketplaces for motor vehicles in the UK, and has not considered it further in this decision.

### ***Conclusion on frame of reference***

145. For the reasons set out above, for the purposes of the competitive assessment set out below, the CMA has considered the impact of the Merger in the supply of online generalist classified advertising services and C2C online marketplaces in the UK.

## **Competitive assessment**

### ***Horizontal unilateral effects***

146. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm to profitably raise prices or to degrade quality, on its own and

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<sup>147</sup> Motor vehicles in this decision means cars, vans and other motor vehicles apart from any included in agricultural machinery construction machinery and trucks (which are considered above).

<sup>148</sup> Adevinta submitted [REDACTED]. Although some motor vehicles continue to be listed on Shpock, its 2019 UK revenue from motor vehicles was only about £[REDACTED].

<sup>149</sup> Anticipated acquisition by eBay Inc of Motors.co.uk Limited, 12 February 2019. Non-classified listings were not included in the frame of reference in *eBay / Motors.co.uk*, but the CMA notes that the majority of motor vehicle listings on eBay Marketplace are classified rather than non-classified. In March 2020, [80-90]% of new motor vehicle listings and unique visitors to these listings were to classified motor vehicle listings (FMN, Tables 45 and 49).

without needing to coordinate with its rivals.<sup>150</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger may be expected to result in an SLC in relation to horizontal unilateral effects in the supply of generalist online classified advertising platforms and C2C online marketplaces in the UK.

147. The CMA's concerns have focused on the following aspects of the Merger:
- (a) eBay is the largest platform amongst generalist online classified advertising platforms and C2C online marketplaces in the UK by a significant margin. Gumtree is the third largest player and has strong brand presence in the UK. Shpock, whilst smaller, is seen as an important competitor, and has recently adopted transactional features putting it in direct competition to eBay Marketplace.
  - (b) Under the more competitive counterfactual set out above, eBay would not control Gumtree. Both Gumtree and Shpock would therefore be free to compete with eBay Marketplace in the counterfactual.
  - (c) The Merger will result in eBay acquiring material influence over Adevinta. The Merger could therefore lead to a loss of competition between eBay Marketplace, Gumtree, and Shpock.
148. The CMA notes that a loss of competition between these platforms could adversely affect buyers and sellers in terms of a reduction in the quality and range of services offered, reduced innovation, and/or increased fees (where these are charged).<sup>151</sup>
149. In order to assess whether the Merger could give rise to horizontal unilateral effects, the CMA considered:
- (a) shares of supply;
  - (b) closeness of competition between each of Shpock, Gumtree, and eBay Marketplace;
  - (c) the competitive constraint from other suppliers; and
  - (d) eBay's ability and incentive to reduce competition between eBay Marketplace and Gumtree and Shpock.

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<sup>150</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

<sup>151</sup> The CMA considered it is less likely that display advertisers would pay higher prices because the Parties have many competitors in online display advertising with their share being about [0-5]%.

*Shares of supply*

150. The CMA estimated the Parties’ combined share of the supply of generalist online classified advertising services and C2C online marketplaces in the UK.
151. Measuring shares of supply for generalist online classified advertising and C2C online marketplaces is not straightforward. The CMA has considered shares on the basis of visits and listings.<sup>152</sup> Visits reflect the amount of attention attracted by a platform, providing a measure of its size on the buyer side. However, it is not necessarily the case that each visit is of equal economic importance. Listings reflect the number of products listed on each platform, providing a measure of its size on the seller side. Similar to visits, it is not necessarily the case that each listing is of equal importance.
152. The CMA has calculated shares of supply estimates on the basis of internal data from the Parties, six third parties<sup>153</sup> and the Parties’ estimates for the remaining ten third parties.<sup>154</sup> The CMA notes that estimates for third parties where the CMA has had to rely on the Parties’ data may be less reliable, as they have not been verified with internal data from those third parties. Additionally, the CMA notes there could be some inconsistencies in the C2C/B2C splits, as the definitions may not have been consistently applied across all data obtained. Overall, the CMA considers the shares of supply estimates to be the best available at this stage.
153. Table 1 below shows the shares of supply on the basis of average total monthly visits including C2C online marketplaces.

**Table 1: Share of average total monthly visits including C2C online marketplaces (%), 2019 – 2020 (end of August)**

	<b>2019</b>	<b>2020</b>
eBay MP (C2C)	[50-60]	[50-60]
Gumtree	[5-10]	[5-10]
Shpock	[5-10]	[5-10]
<b>Shpock + Gumtree + eBay MP (C2C)</b>	<b>[60-70]</b>	<b>[60-70]</b>
<i>Generalist classified ads platforms</i>		
FBMP	[20-30]	[20-30]
Depop	[0-5]	[0-5]

<sup>152</sup> The CMA has not been able to assess shares based on revenue due to limited data available for third party sites. Additionally, FBMP and Nextdoor do not generate revenue from classified advertising specifically and it has not been possible to identify the display advertising attributable to generalist classified advertising (as opposed to other parts of their business). Further, for Gumtree and Shpock display advertising comprises a large share of their revenues (FMN, Table 8); and for Gumtree it is not straightforward to separate display advertising revenue between generalist and other classified listings.

<sup>153</sup> Internal data for [X].

<sup>154</sup> Parties’ estimates (using App Annie and Similarweb) for [X].



Nextdoor	[0-5]	[0-5]
Vivastreet	[0-5]	[0-5]
Preloved	[0-5]	[0-5]
Other classified ads platform	[0-5]	[0-5]
<i>Online Marketplaces (C2C visits only)</i>		
Amazon UK	[0-5]	[0-5]
Etsy	[0-5]	[0-5]
Other Marketplace	[0-5]	[0-5]

Source: CMA analysis of App Annie, Similarweb and Parties internal data in Annex RFI-3 Q.13 Analysis and third party data.

Notes:

- Other classified ads platforms all have shares of [0-5]% or smaller. Other Marketplaces all have shares of [0-5]% or under.
- Internal data for: the Parties, %.
- Gumtree figures do not include Motors.co.uk. eBay C2C visitors is estimated based on share of page views for C2C listings. Etsy does not divide web traffic or listings as between C2C and B2C sellers. The CMA have applied a split based on [X]. This could be overstating the C2C split; from [X]. Amazon C2C share estimated based on an approximate C2C/B2C split of units sold.
- The CMA was unable to compute 2018 shares based on visits as the data was incomplete.

154. The CMA's share of supply estimates using average total monthly visits, reported in Table 1, indicate that eBay Marketplace has the largest share of supply by a significant margin, at [50-60]%, which is [X] twice the size of the next largest competitor (FBMP). eBay Marketplace, together with Shpock, and Gumtree have a combined share of supply of [60-70]%, reflecting an increment of [0-5]% from Shpock and [5-10]% from Gumtree.<sup>155</sup>

155. Table 1 also shows that the largest competitor to the Parties is FBMP.

156. Table 2 below shows the shares of supply on the basis of new generalist listings including C2C marketplaces.

**Table 2: Share of new generalist category listings including C2C marketplaces (%), 2018 – 2020 (end of August)**

	2018	2019	2020
eBay MP (C2C)	[70-80]	[70-80]	[70-80]
Gumtree	[0-5]	[0-5]	[0-5]
Shpock	[0-5]	[0-5]	[0-5]
<b>Shpock + Gumtree + eBay MP (C2C)</b>	<b>[70-80]</b>	<b>[70-80]</b>	<b>[70-80]</b>
<i>Generalist classified ads platforms</i>			
FBMP	[10-20]	[10-20]	[10-20]
Depop	[0-5]	[0-5]	[0-5]
Nextdoor	[0-5]	[0-5]	[0-5]
Vivastreet	[0-5]	[0-5]	[0-5]

<sup>155</sup> As noted at paragraph 147(b) above, under the more competitive counterfactual that the CMA considers to be applicable, eBay would not control Gumtree, which would consequently be free to compete with eBay Marketplace. The increment arising from Gumtree's share is therefore relevant to the competitive assessment.

Preloved	[0-5]	[0-5]	[0-5]
Other classified ads platform	[0-5]	[0-5]	[0-5]
<i>Online Marketplaces (C2C listings only)</i>			
Amazon UK	[0-5]	[0-5]	[0-5]
Etsy	[0-5]	[0-5]	[0-5]
Other Marketplace	[0-5]	[0-5]	[0-5]

Source: CMA analysis of App Annie, Similarweb and Parties internal data in Annex RFI-3 Q.13 Analysis and third party data.

Notes:

- Other classified ads platforms all have shares of [0-5]% or smaller. Other Marketplaces all have shares of [0-5]% or under.
- Gumtree figures do not include Motors.co.uk.
- Internal data for: the Parties, [redacted].
- For remaining classified advertising platforms, new listings are estimated based on their traffic volume relative to Shpock measured by average monthly visits. For remaining online marketplaces, new listings estimated based on their relative size in terms of average monthly visits to eBay Marketplace. Etsy does not divide web traffic or listings as between C2C and B2C sellers. The CMA have applied a split based on [redacted]. This could be overstating the C2C split; from [redacted].

157. The CMA's shares of supply estimates using the number of new generalist listings, reported in Table 2, shows that eBay Marketplace has an even larger share of supply than for visits, at [70-80]%, which is several times the size of the next largest competitor (FBMP). eBay Marketplace, together with Shpock, and Gumtree have a combined share of supply of [70-80]%, reflecting an increment of [0-5]% from Shpock and [0-5]% from Gumtree. [redacted].

158. Table 2 also shows FBMP is the largest competitor to the Parties.

159. Overall, on the basis of both visits and listings, the Parties' combined shares are very high and the increments are significant.

160. The CMA also notes the following:

(a) eBay Marketplace, as by far the largest supplier, would additionally benefit from network effects (because buyers will tend to be attracted to the platform offering the largest choice of goods for sale while sellers will tend to be attracted to the platform visited by the most buyers). As noted above (see paragraph 117), eBay documents refer to [redacted]. The CMA did not receive clear evidence on the extent of multi-homing by buyers and sellers (ie whether buyers and sellers tend to use more than one platform), but one third party considered, based on user surveys, that both buyers and sellers in the UK tended to use two platforms on average – usually eBay Marketplace and one other platform. The CMA believes that, in light of network effects, eBay Marketplace's large share of supply makes it more difficult for rivals to compete and increases the importance of maintaining competition from rivals under different ownership.

(b) The CMA notes that suppliers can exert an important competitive constraint irrespective of market share, for example where they are close

or particularly innovative competitors and/or where concentration is high. As discussed further from paragraph 177, the CMA considers that Gumtree could be in closer competition with eBay Marketplace if it were not under eBay's control and therefore that Gumtree's current shares of supply may not fully reflect the potential constraint it could exercise on eBay Marketplace.

- (c) Shpock has a share of about [0-5]%. In light of Shpock having recently transformed its business model into a transactional site, the CMA has considered further Shpock's future potential (see from paragraph 203), and considers that Shpock's share of supply may not fully represent the current and future constraint it could provide on eBay Marketplace and Gumtree.

161. The Parties submitted that the Merger reduced concentration, as illustrated by changes in the Herfindahl-Hirschman Index (HHI) and modified HHI (MHHI), which takes account of cross-ownership.<sup>156</sup> The CMA notes the following points about this submission on market concentration:

- (a) The submission compares post-Merger concentration with pre-Merger concentration, not with concentration in the relevant counterfactual (see section on counterfactual above).
- (b) If post-Merger concentration is compared with concentration in the relevant counterfactual, there would be an increase in HHI and MHHI.
- (c) The HHI and MHHI each represent only one way of measuring concentration, and changes in these indexes, while useful in some circumstances, are not necessarily probative of the competitive effects of a merger. This is because each relies on specific behavioural assumptions and, being based on market shares, do not take into account that some firms may be closer competitors than others. The CMA believes MHHI is a tool for assessing common ownership across many firms; and individual instances of cross-shareholding, including eBay's post-Merger holding in Adevinta (and hence Shpock and Gumtree), should be assessed on the basis of their individual circumstances. See further the section below on eBay's ability and incentive to influence Shpock and Gumtree (from paragraph 251).

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<sup>156</sup> Parties' submission to the CMA on Market Concentration, RBB Economics and Compass Lexecon, 8 January 2020.

### *Closeness of competition*

162. The CMA considered the closeness of competition between Shpock, Gumtree, and eBay Marketplace on the basis of the following:
- (a) the Parties' submissions;
  - (b) eBay Marketplace, Gumtree, and Shpock's service propositions;
  - (c) internal documents;
  - (d) third party views;
  - (e) the dis-synergies [REDACTED] from an independent Gumtree; and
  - (f) closeness of competition based on Shpock's potential to develop further in the future.

### *Parties' submissions*

163. The Parties submitted that Shpock, Gumtree and eBay Marketplace are not close competitors to one another for the following reasons:
- (a) Shpock's and Gumtree's service propositions are highly differentiated (in terms of their business models, product categories covered, and user profiles), and their internal documents do not demonstrate that Shpock and Gumtree regard each other as close competitors. Instead they show that they each consider FBMP as their main competitor, whilst Shpock also [REDACTED].
  - (b) Shpock and eBay Marketplace are highly differentiated, and their internal documents demonstrate that there is limited competitive interaction between them.
  - (c) There is limited competitive interaction between Gumtree and eBay Marketplace.
164. [REDACTED]. According to the Parties, this weakens any competitive constraint that Shpock could provide on eBay Marketplace or Gumtree.

### *Shpock, Gumtree and eBay Marketplace's service propositions*

- *Overview of the Parties' business models*

165. **eBay Marketplace.** eBay Marketplace is an online marketplace featuring a wide product range and with an established brand in the UK. A [REDACTED] part of the

eBay Marketplace concerns the C2C segment (representing [20-30]% of eBay's overall revenues in the UK, as noted at paragraph 116 above). eBay Marketplace monetises its site through display advertising and charging sellers transactional fees. C2C sellers are charged a transaction fee set at 10% of an item's value, including shipping. The transaction fee is mandatory. C2C sellers are free to arrange purchase and delivery of an item listed on eBay Marketplace off-platform, but the seller will still incur a transaction fee.<sup>157</sup> Listing fees are also applicable but eBay offers C2C sellers a monthly allocation of 1,000 free listings (having increased from 20 free monthly listings in January 2019).<sup>158</sup> Buyers are not charged any fees for using eBay Marketplace.

166. **Gumtree.** Gumtree was founded in 2000 and operates a generalist online classified advertising platform, with an established brand recognised by consumers in the UK. Gumtree monetises its platform through a combination of display advertising, and seeking to generate user traffic from a broad range of consumer goods to build support to generate revenue from vertical categories (in the case of Gumtree, this includes motor vehicles, real estate and jobs) in relation to which Gumtree charges sellers listing fees.<sup>159</sup> Gumtree does not charge listing fees for generalist products and does not charge buyers any fees. Except for certain short term measures in the context of Coronavirus (COVID-19), Gumtree does not offer transactional features to enable consumers to arrange purchase and delivery on platform (as discussed further below from paragraph 177). According to eBay, Gumtree has recently focused on motor vehicle classified advertising following the acquisition of Motors.co.uk in 2019, and [✂].<sup>160</sup>
167. **Shpock.** Shpock was founded in 2012 and launched in the UK in 2014 as a mobile-first generalist classified advertising platform. Between 2015 and 2018, Shpock focused on growing its user base and brand awareness by investing heavily in advertising, but eventually came under pressure to develop reliable monetisation streams to achieve profitability. In 2018 it launched 'Shpock+ Shops', a dedicated segment for professional sellers, and 'Shpock+ Motors', a

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<sup>157</sup> Some listings on eBay Marketplace are not transactional and are not subject to a transactional fee. These are listings under the 'classified ads' format. Regarding this listing format, the payment and delivery of the product must be arranged off-platform in the same way as a traditional classified advertising platform. However, eBay limits the availability of this listing format to a narrow range of vertical products/services, namely 'Vehicles'; 'Business, Office & Industrial'; 'Property'; and 'Holidays & Travel'. As a result, users of eBay Marketplace for other product categories must use eBay's transactional listing formats ('Buy It Now' or the auction format). Whilst buyers and sellers technically can still choose to arrange for purchase and delivery to be off-platform under these listings formats, sellers must still pay the transaction fee.

<sup>158</sup> MoneySavingExpert, 'eBay to offer sellers 1,000 free listings – but watch out for final value fees', 30 January 2019.

<sup>159</sup> FMN, paragraph 12.3.

<sup>160</sup> Parties' Issues Letter Response, paragraph 178.

dedicated segment for car dealers, which it planned to monetise via listing fees. Shpock's attempts to monetise its platform in this way [REDACTED].

168. Instead, since 2019, Shpock has focused on generating revenue from its generalist listings through offering transactional features on its site (in addition to display advertising). Shpock does not charge sellers listing fees nor any transaction fee but instead Shpock charges buyers for a value-added service (a buyer protection guarantee). This charge is optional; buyers remain free to use Shpock to find products and then to arrange purchase and obtain delivery with a seller off-platform.

169. Shpock began developing the tools and capabilities for its transactional services [REDACTED], including payments processing capabilities and dispute management processes, and employed a UK operations team to provide related customer support. Shpock launched its 'Buyer Protection' guarantee scheme [REDACTED].<sup>161</sup>

- *Similarities between Shpock's business model with Gumtree's and eBay Marketplace's*

170. Since its launch, Shpock's business model has been different to Gumtree's and eBay Marketplace's in being a mobile-first generalist classified advertising platform. Shpock was still similar to Gumtree in offering a free service to sellers and buyers, and even more so from 2018, when Shpock adopted a similar monetisation strategy through charging listings fees in relation to specific product categories, including in relation to the motor vehicles classified advertising vertical. The Parties' internal documents from this time suggest Shpock and Gumtree may have been close competitors. For example, Schibsted's Financial Report from February 2018 refers [REDACTED].<sup>162</sup> eCG confirmed to the CMA that it saw Shpock as a competitor at this time,<sup>163</sup> and Shpock appeared to have some success in emulating Gumtree. A 'Business Review Presentation' from August 2018 found that [REDACTED].<sup>164</sup> There is also evidence to suggest that it was the reaction from Gumtree (and eBay Marketplace), that ultimately made it difficult for Shpock to succeed, as Gumtree (and eBay Marketplace) both saw their market share under threat, as discussed further below at paragraph 189(b).

171. Shpock's reorientation to become a transaction-based platform might indicate that it has become a less close competitor to Gumtree. This has also

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<sup>161</sup> Parties' Issues Letter Response, paragraph 169.

<sup>162</sup> Annex 49.3 Schibsted's Financial Report - February 2018, page 16.

<sup>163</sup> Parties' Issues Letter Response, paragraph 191.

<sup>164</sup> Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, pages 15-17.

coincided with Gumtree focusing more heavily on specialising in motor vehicle classified advertising. But Shpock's transactional pivot could also be seen as an attempt to differentiate in order to more effectively compete against Gumtree. This is supported by internal documents. For example, a Shpock presentation to Adevinta's board of directors, entitled [REDACTED] from October 2019, on the one hand notes that Shpock has the [REDACTED], but also notes the [REDACTED] by stating [REDACTED].<sup>165</sup>

172. Adopting a transactional model has also put Shpock in more direct competition with the C2C segment of eBay Marketplace.
173. The Parties submitted that Shpock's transactional model is different to eBay Marketplace's, as Shpock does not charge sellers a transaction fee, and Shpock's transactional features are also optional. Further, the Parties submitted that most sales on Shpock are local, occurring off-platform, whereas almost all transactions on eBay Marketplace are completed on-platform.
174. Whilst these points may differentiate Shpock from eBay Marketplace to some degree, the CMA considers that the optionality and charge-free nature of Shpock's transactional features may pose a competitive threat to eBay Marketplace – offering greater consumer choice and undercutting eBay Marketplace on price. This is also supported by some eBay internal documents, which, for example, refer to [REDACTED], as discussed further below at paragraph 193(c).
175. The fact that a larger share of listings on Shpock may be local and off-platform compared to eBay Marketplace also reflects the optional nature of Shpock's transactional model (and may also reflect the fact that Shpock has only relatively recently launched a fully transactional service). Furthermore, whilst [REDACTED] transactions on eBay Marketplace may occur on-platform, a [REDACTED] proportion ([15-20]%) of eBay Marketplace's C2C gross merchandise volume (**GMV**) still relates to local pick-up.<sup>166</sup> In the case of all items making up this GMV, the respective sellers would have had to pay eBay Marketplace the 10% transaction fee even though delivery was not arranged on-platform.
176. The Parties also submitted that there are a number of other ways that eBay Marketplace is differentiated from Shpock (as well as from Gumtree). The CMA does not attach significant weight to these factors for the reasons set out below:

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<sup>165</sup> Annex 010.A11 [REDACTED], 17 October 2019, page 6.

<sup>166</sup> See eBay Response of 16 November 2020 to s.109 Notice of 30 October 2020, Figure 3, based on data for 2019.

- (a) The Parties submitted that eBay Marketplace is primarily concerned with B2C sales. The CMA does not attach significant weight to this difference given that eBay Marketplace also has a substantial C2C business, as noted at paragraph above.
  - (b) The Parties submitted that eBay Marketplace has a larger share of new goods than Shpock (and Gumtree). However, as noted at paragraph 117(a) above, it is still the case that most of eBay Marketplace's C2C listings are for used goods.
  - (c) The Parties submitted that eBay Marketplace offers auctions and also has a larger number of repeat consumer users (selling upwards of 100 items per year) than Shpock (and Gumtree). The CMA has not seen evidence to suggest that either of these factors are significant differentiators in and of themselves.
- *Gumtree's potential to add transactional features and become a closer competitor to eBay Marketplace and Shpock*

177. Gumtree does not offer transactional features on its platform, except [redacted] a 'Parcel2Go' delivery [redacted].<sup>167</sup> According to eBay [redacted].<sup>168</sup>
178. The Parties submitted that eCG [redacted] Gumtree is focused on motor vehicle classified advertising, and transactional features are not important to that business.<sup>169</sup> The Parties submitted that [redacted].
179. However, the CMA considers that Gumtree has the potential to develop transactional features and that this could be particularly likely if it was independent from eBay.
180. In particular, [redacted] Gumtree's strategic focus on motor vehicle classified advertising, most ([80-90]%) of Gumtree's live listings as of June 2020 are [redacted] generalist listings, which in contrast to motor listings, could readily benefit from the addition of transactional features.<sup>170</sup>
181. It is unclear whether eCG would necessarily face resource constraints in adding transactional features, given that [redacted] (see paragraph 183 below).
182. The CMA considers that whilst Gumtree has been under eBay's control, eBay has been reluctant for Gumtree to develop transactional features as this

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<sup>167</sup> FMN, paragraph 15.15.

<sup>168</sup> FMN, paragraph 15.16 and Parties' Issues Letter Response, paragraph 205.

<sup>169</sup> This is because people tend to buy and sell used cars face-to-face, and cars are not easy to ship.

<sup>170</sup> CMA analysis of FMN, Table 6.



would bring Gumtree in to closer competition with eBay's transactional site, eBay Marketplace. eBay has in fact acknowledged as much, stating that, whilst Gumtree has been under eBay's control, eBay has had 'every reason to prevent Gumtree engaging in competitive strategies that harm eBay'.<sup>171</sup> This view is supported by third party market reports. For example, an AIM Group Market Intelligence Report of August 2020 prepared for Adevinta finds that eCG sites underperform where they have to compete with eBay Marketplace, and that this trend is most marked in the UK (the strongest market for eBay Marketplace in Europe, but the weakest for eCG).<sup>172</sup> The report queries whether this is because eBay 'has managed its classified sites to avoid taking market share from eBay's core marketplace business', including by not having Gumtree adopt transactional capabilities.<sup>173</sup>

183. It is also notable that, [REDACTED]. For example:

(a) An [REDACTED].<sup>174</sup>

(b) [REDACTED].<sup>175</sup>

184. Furthermore, eBay had [REDACTED] to prospective purchasers of eCG. For example, an eBay 'Project Oak Management Presentation' of February 2020, presented to prospective bidders for eCG, refers to [REDACTED] as one of the attractive long term trends to the eCG business.<sup>176</sup>

185. Finally, as discussed further below at paragraph 194, eBay considered that an independent eCG would result in [REDACTED]. This suggests that eBay anticipated eCG's platforms [REDACTED].

- *Product range*

186. Data provided by the Parties on the number of listings on each platform split by product category show that Shpock, Gumtree and eBay Marketplace all have a significant proportion of generalist product listings across a broad

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<sup>171</sup> FMN, paragraph 20.

<sup>172</sup> Annex 010.A.86 Bimonthly AIM Group Market Intelligence Report. The Parties have sought to argue that eBay Kleinanzeigen's success in Germany under eBay's ownership demonstrates that eBay does not prevent successful eCG sites from emerging (Parties' Issues Letter Response, paragraph 206). But this overlooks the fact, as noted in the AIM report, that Germany is a weak market for eBay Marketplace, and therefore eBay would have less incentive to prevent eBay Kleinanzeigen from being successful.

<sup>173</sup> An earlier AIM Group Intelligence Report prepared for Adevinta from June 2018 (Annex 010.A21 AIM Group Intelligence Report on Classified) further supports this, finding that 'Gumtree.com is failing to capitalize on the opportunity afforded by a dominant position in a mature digital market. The report expressed the view that this poor performance may be due in part to stronger competition from specialist classified businesses; but that Gumtree seemed to be suffering from a lack of product innovation and brand development.

<sup>174</sup> See eg EBAY-005108, Committee Update [REDACTED], page 22. The Parties submitted that the Gumtree payments service in question only relates to enabling sellers to pay for additional advertising features and [REDACTED].

<sup>175</sup> FMN, paragraph 15.16.

<sup>176</sup> EBAY-007343, Project Oak Management Presentation, February 2020, slide 12.

range of consumer categories.<sup>177</sup> The largest generalist product categories for Shpock and Gumtree are Fashion and Accessories, Home and Garden, Electronics, Baby and Toddler, and Sport and Leisure. The largest C2C generalist categories on eBay Marketplace are: Fashion and Accessories, Home and Garden (which includes Baby and Toddler), Media and Electronics.

187. The Parties argued that Shpock and Gumtree focus on different product categories. According to the Parties, Shpock actively targets [REDACTED], as they are [REDACTED]. However, the CMA considers that these three product categories collectively cover a wide range of products, and are also among the largest product categories on all three platforms. The Parties argued that Gumtree's product listings skew towards bulky, non-shippable items. The CMA has not however seen evidence to suggest that this is a significant trend within Gumtree's product range.

- *User demographic*

188. The CMA has not seen evidence to show that Shpock and Gumtree specifically target different user groups or demographics through their respective generalist online classified advertising services, or that eBay does so in relation to the generalist C2C listings on the eBay Marketplace.<sup>178</sup>

*Internal documents*

- *Shpock documents*

189. Shpock's internal documents generally indicate that they see Gumtree as a close competitor and eBay Marketplace as a significant competitor. This includes, for example:

(a) The documents concerning [REDACTED], referred to at paragraphs 170 and 171 above, which date from [REDACTED].

(b) A Shpock 'Business Review Presentation' from August 2018 discusses the wider competitive landscape in the UK.<sup>179</sup> Whilst the document notes [REDACTED], it places particular emphasis on competition from [REDACTED] and [REDACTED]. In particular, on a page entitled '[REDACTED]', a sub-bullet notes [REDACTED].<sup>180</sup> The page

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<sup>177</sup> FMN, Tables 2 and 6.

<sup>178</sup> The Parties note that Gumtree [REDACTED], whereas Shpock's users [REDACTED]. However, this may be because the Parties are taking into account Gumtree's motor vehicle classified advertising service, which may be more likely to attract older, male users.

<sup>179</sup> Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, page 34.

<sup>180</sup> Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, page 209. The CMA understands the separate reference to eBay in this sentence to refer to eBay Marketplace (rather than eBay as

also notes the example of [REDACTED], and notes the ‘same development would have to be expected in the UK.’<sup>181</sup>

(c) An Adevinta authored document, ‘[REDACTED]’, from February 2020, considers [REDACTED] in the UK, including [REDACTED]. The document finds that [REDACTED].<sup>182</sup>

190. In [REDACTED], the Parties argue that Shpock primarily had regard to [REDACTED].<sup>183</sup> However, it is apparent from Shpock’s internal documents that in considering [REDACTED], Shpock was seeking to [REDACTED] and did not necessarily [REDACTED] in the UK. For example, the competitors noted in Shpock’s ‘[REDACTED]’ document of October 2019 includes [REDACTED] and [REDACTED].<sup>184</sup> [REDACTED] is given less attention than either of these platforms in the document, and both [REDACTED] and [REDACTED] are noted as focusing on fashion.<sup>185</sup> Moreover, it is also clear that when deciding the best monetisation strategy to adopt, Shpock also had regard to the charging models of Gumtree and eBay Marketplace.<sup>186</sup>

191. The Parties submitted a Shpock document from September 2020 in which Shpock evaluated its [REDACTED] and [REDACTED], where Shpock compared [REDACTED] and where neither Gumtree nor eBay Marketplace are mentioned.<sup>187</sup> However, the CMA notes that this document post-dates the transaction, and therefore may provide a less reliable assessment of Shpock’s competitors compared to pre-transaction documents.

- *eCG documents*

192. eCG internal documents relatively frequently cite Shpock and eBay Marketplace as competitors (despite eBay Marketplace and Gumtree being under common ownership) amongst relatively few others in the UK. For example:

(a) eCG’s ‘[REDACTED]’ documents, [REDACTED], track Gumtree’s marketing effectiveness, and are intended to [REDACTED].<sup>188</sup> Shpock and eBay Marketplace are included amongst the competitors tracked, alongside [REDACTED].<sup>189</sup>

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the parent to Gumtree). This is supported, for example, by page 15 of the document, which assesses the marketing spend of Gumtree and eBay separately.

<sup>181</sup> Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, pages 209 and 34.

<sup>182</sup> Annex 009.A.10 [REDACTED], 17 February 2020, page 33.

<sup>183</sup> FMN, paragraph 15.34, citing Annex 010.A.11, Shpock Board Presentation, [REDACTED], 17 October 2019, p. 61-72, and Annex RFI 1 Q.22.2, Shpock internal document, Transactional Business Case, 5 April 2019.

<sup>184</sup> Annex 010.A.11, Shpock Board Presentation, [REDACTED], 17 October 2019, pages 18-19 and 61-65.

<sup>185</sup> Annex 010.A.11, Shpock Board Presentation, [REDACTED], 17 October 2019, pages 61-62.

<sup>186</sup> See for example, Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, page 225-230. [REDACTED].

<sup>187</sup> Parties’ Issues Letter Response, Annex 5, Shpock Marketing Update, 9 September 2020, page 13 and 25.

<sup>188</sup> See eg Annex 010.B.2a.1 Marketing Effectiveness Tracker, Results Q1 2018, 20 April 2018, page 4; and Annex 010.B.2a.10 Marketing Effectiveness Tracker, Results Q2 2020, 27 July 2020, page 4.

<sup>189</sup> Annex 010.B.2a.1 Marketing Effectiveness Tracker, Results Q1 2018, 20 April 2018, page 8.

(b) An eCG [redacted] document from April 2020 analyses the size of eCG's user base compared to [redacted]. The document is primarily focused on [redacted]. However, it also mentions eBay Marketplace, as well as other competitors (such as [redacted] and [redacted]), whilst Shpock is identified as eCG's [redacted] in the UK.<sup>190</sup>

(c) Other eCG internal documents have paid close attention to [redacted],<sup>191</sup> [redacted].<sup>192</sup>

- *eBay documents*

193. Some eBay internal documents (concerning the C2C segment) have cited Shpock as a competitor in the UK amongst relatively few others. eBay internal documents also relatively frequently track and benchmark Gumtree as a competitor in the UK, despite being under common ownership. For example:

(a) The results of a C2C survey (carried out for eBay [redacted])<sup>193</sup> [redacted].<sup>194</sup> [redacted].<sup>195</sup> [redacted].<sup>196</sup>

(b) [redacted].<sup>197</sup> [redacted].<sup>198</sup> [redacted].<sup>199</sup> [redacted].<sup>200</sup>

(c) [redacted].<sup>201</sup> [redacted].<sup>202</sup> [redacted].<sup>203</sup> [redacted].<sup>204</sup>

(d) [redacted].<sup>205</sup>

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<sup>190</sup> Annex 010.B.3.1 [redacted], Global User Research, 17 April 2020, page 10.

<sup>191</sup> See eg Annex 51.4, JTBD Competitor Analysis, 1 August 2018, a document prepared for eCG by external consultants JTBD which compares Gumtree's mobile app in detail to that of Shpock and Facebook.

<sup>192</sup> Annex 14.3 [redacted]. Whilst this document focuses [redacted] (see paragraphs 183 and 184 above). [redacted] (FMN, paragraph 15.16).

<sup>193</sup> The survey covered buyers and sellers of pre-owned items (other than motor vehicles, property, animals and consumables such as food and drink). The survey was commissioned by eBay as part of its market intelligence efforts in the C2C space and was conducted by a third-party agency, using an online survey with 2,930 respondents in the UK.

<sup>194</sup> EBAY 007309 C2C 2019 Tables – UK – Qualified Category V9 abs.xlsx, 24 April 2019 and 007310 C2C 2019 Tables - UK - Qualified Category V9 percents.xlsx, Table 133. [redacted]. Results from Table 88 (where else respondents listed items) were qualitatively similar.

<sup>195</sup> EBAY 007309 C2C 2019 Tables – UK – Qualified Category V9 abs.xlsx, 24 April 2019 and 007310 C2C 2019 Tables - UK - Qualified Category V9 percents.xlsx, Table 205. [redacted].

<sup>196</sup> EBAY 007309 and 007310 Tables 24 and 152. [redacted].

<sup>197</sup> EBAY-007049, 190425\_C2C market\_Country loops.pdf, page 51.

<sup>198</sup> EBAY-007049, 190425\_C2C market\_Country loops.pdf, page 51.

<sup>199</sup> EBAY-007049, 190425\_C2C market\_Country loops.pdf, page 50.

<sup>200</sup> EBAY-007049, 190425\_C2C market\_Country loops.pdf, page 47.

<sup>201</sup> EBAY-004842, C2C Value Proposition, 17 December 2019, page 17.

<sup>202</sup> EBAY-004842, C2C Value Proposition, 17 December 2019, page 61.

<sup>203</sup> EBAY-004842, C2C Value Proposition, 17 December 2019, page 27.

<sup>204</sup> EBAY-004842, C2C Value Proposition, 17 December 2019, page 23.

<sup>205</sup> EBAY-004941, [redacted]BOD outline [redacted]\_v6.docx, [redacted], page 10.

### *Dis-synergies [redacted] arising from an independent Gumtree*

194. Throughout the bidding process for the sale of eCG, including in the assessment of the final bids received, [redacted] considered the competitive overlap between the C2C segment of eBay Marketplace and eCG's platforms, and calculations were presented of the potential 'dis-synergies' that could arise in the event eCG became independent of eBay.<sup>206</sup> This included analysis contained in eBay Board presentations dated 27 May 2020, 16 June 2020, and 17 July 2020 (the latter assessing the final bids received for eCG).
195. eBay submitted [redacted].<sup>207</sup> For example, in the case of the [redacted].
196. The CMA does not consider eBay's submissions to reflect an accurate characterisation of the overlap and [redacted] contained in the 17 July 2020 presentation (or in the earlier presentations referred to above).
197. First [redacted].<sup>208</sup> [redacted].
198. Second [redacted].<sup>209</sup> [redacted].<sup>210</sup>
199. As set out on [redacted], eBay estimated the worst case scenario in terms of dis-synergies to amount to up to \$[redacted].<sup>211</sup> [redacted].
200. In this context, eBay [redacted].<sup>212</sup> [redacted].<sup>213</sup> [redacted].<sup>214</sup>
201. The CMA views eBay's consideration of these matters as providing strong evidence that eBay considered eCG's primary platform in the UK, Gumtree, to have a significant potential to compete with the eBay Marketplace.

### *Third party views*

202. The CMA asked competitors to rank their top 5 competitors in online generalist classified advertising and/or C2C selling in the UK; to comment on their strengths and weaknesses; and also on how strongly they competed with the Parties. A number of responses indicated that eBay Marketplace and

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<sup>206</sup> [redacted], see: Annex 009.D.1 - [redacted]Oak Board Materials vF.pdf, Project Oak Transaction Committee Briefing, [redacted], pages 55-59; Annex 009.D.2 - Deals Update\_BoD [redacted]\_vFINAL.pdf, Project Oak Board of Directors Update, [redacted], pages 39-44; Annex 009.D3 - [redacted]Board Materials\_vF.pdf, Project Oak Board of Directors Update, [redacted], pages 95-98.

<sup>207</sup> Parties' Issues Letter Response, paragraph 212; see also paragraphs 105-128.

<sup>208</sup> Annex 009.D3 - [redacted]Board Materials\_vF.pdf, Project Oak Board of Directors Update, [redacted], page 95.

<sup>209</sup> Parties' Issues Letter Response, paragraph 105.

<sup>210</sup> Annex 009.D.1 - [redacted]Oak Board Materials vF.pdf, Project Oak Transaction Committee Briefing, [redacted], page 58.

<sup>211</sup> Annex 009.D3 - [redacted]Board Materials\_vF.pdf, Project Oak Board of Directors Update, [redacted], pages 97.

<sup>212</sup> Annex 009.D3 - [redacted]Board Materials\_vF.pdf, Project Oak Board of Directors Update, [redacted], pages 97.

<sup>213</sup> Parties' Issues Letter Response, Annex 7, Email from [redacted].

<sup>214</sup> Annex 009.D3 - [redacted]Board Materials\_vF.pdf, Project Oak Board of Directors Update, [redacted], pages 5 and 18.

Gumtree are particularly strong competitors, and that whilst smaller, Shpock is also an important competitor. For example:

- (a) One competitor said that Gumtree was the most complete listing site which it perceived as its closest competitor, eBay Marketplace was its next closest competitor, and Shpock was its third closest, equally ranked with another. This competitor expressed concerns about the impact of the Merger on competition because of the market power of Gumtree and eBay and because the transaction would involve the two large players combining with one medium player, Shpock.
- (b) Another competitor said that Gumtree dominates the UK market for C2C with its household brand and strong community focused campaigns. This competitor identified eBay Marketplace among its top 5 competitors; it considered eBay the most established brand but primarily B2C. It also said that Shpock was a strong competitor across app and desktop (albeit with limited category variety).
- (c) Another competitor said that eBay Marketplace was one of its biggest competitors in the UK, being the largest player with a strong value proposition. It also noted that Gumtree was a well-known platform with a very strong brand name in the UK, and that Shpock was also a competitor (although neither were among the competitors' three closest competitors).
- (d) Another third party said that eBay Marketplace was a well-established general worldwide marketplace that was among its closest competitors; but did not identify Gumtree or Shpock as among its top 5 competitors.

#### *Shpock's future potential*

- 203. Shpock launched in the UK in 2014 and sought to grow through differentiating from incumbent players, such as Gumtree, initially through its mobile-first proposition.<sup>215</sup> As discussed above, Shpock has also pivoted to become a transactional site over the course of 2019-2020.
- 204. The Parties submitted that Shpock has [REDACTED]. [REDACTED]. Until 2018, Shpock was active in six different markets, [REDACTED].
- 205. The CMA considers however that it is difficult to measure Shpock's potential for future growth by considering trends since 2017 or 2018, given that it was

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<sup>215</sup> Shpock established its app-centric model around the same time as other recent entrants – including Depop (founded in 2011, and launching in the UK in 2012; see [Depop - Wikipedia](#)), Vinted (founded in 2008 and launching its app in 2012; see [Vinted - Wikipedia](#)), Wallapop (founded in 2014; see [Wallapop - Wikipedia](#); but Wallapop focused in Spain with de minimis presence in the UK), and Preloved (founded in 1998 but launching app in 2015; see [Preloved - Wikipedia](#)).

only since late 2019 that Shpock transitioned its business model into a transactional platform. Nonetheless, the CMA notes that whilst Shpock's share of generalist listings [REDACTED] (see Table 2) its average monthly visits share [REDACTED] (see Table 1).

206. If Shpock's performance is considered since [REDACTED]. For example, Shpock's update to the Adevinata board in June 2020 confirmed [REDACTED].<sup>216</sup> [REDACTED]. Shpock noted [REDACTED]<sup>217</sup> [REDACTED].<sup>218</sup> Shpock achieved revenues of £[REDACTED] million in the UK in 2020, [REDACTED].
207. It is also the case that Shpock did not fully complete its product transition to a transactional platform until Q3 2020. Shpock's [REDACTED] presentation indicates that it [REDACTED].<sup>219</sup> [REDACTED].
208. Overall, the CMA considers that it has not seen strong evidence of the success or failure of Shpock's new transactional business model, given the limited time that has elapsed since it was implemented. The CMA considers that Shpock's future potential remains subject to uncertainty. [REDACTED]. Without sufficient scale and because of the network effects present in the market, it would be difficult for Shpock to significantly constrain a large platform like eBay Marketplace. However, the CMA also notes that the risk that Shpock could succeed and achieve sufficient scale to be sustainable may still provide some constraint on Gumtree and eBay Marketplace.

#### *Conclusion on closeness of competition*

209. For the reasons set out above, the CMA considers that Shpock, Gumtree, and eBay Marketplace compete closely in the supply of generalist online classified advertising services and C2C online marketplaces in the UK. In particular:
- (a) Despite recent divergences in their business models, Shpock and Gumtree have continued to view each other as close competitors. Having adopted a transactional model also puts Shpock in direct competition with the C2C segment of eBay Marketplace.
- (b) In the counterfactual, Gumtree has significant potential to compete with the C2C segment of eBay Marketplace, particularly given its established brand, scale, and broad product range. This potential competition from eCG's businesses with the C2C segment of eBay Marketplace,

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<sup>216</sup> Annex 010.A12, Shpock Update, 8 June 2020.

<sup>217</sup> Annex 010.A12, Shpock Update, 8 June 2020, page 2.

<sup>218</sup> [REDACTED]. See, for example the Guardian '[Amazon reports UK sales rose by 51% in 2020](#)', 3 February 2021.

<sup>219</sup> Annex 010.A.13, Copy of 201106 Q2 Board Adevinata Update-Final.pdf, 12 June 2020, page 3.

particularly in the UK, was also specifically considered by eBay in assessing the implications of ceasing to retain a stake in eCG.

- (c) The Parties track each other as competitors in their internal documents amongst relatively few other competitors, whilst the views of third party competitors support that eBay Marketplace and Gumtree in particular are strong competitors, with the potential to significantly constrain one another.

#### *Competitive constraint from other suppliers*

210. Unilateral effects are more likely where customers have little choice of alternative supplier. The CMA considered whether there are alternative suppliers which would provide a competitive constraint on the Parties.
211. The Parties submitted that the main competitor to Shpock and Gumtree is FBMP and named a long tail of other generalist classified advertising competitors, including: Depop, Preloved, Vinted, Vivastreet, Friday-Ads, Freeads and Nextdoor. The Parties submitted that their C2C online marketplace competitors include: Amazon, Etsy, Vestiaire Collective, Rebelle and Folksy.
212. Based on the available evidence, the CMA considers that, other than the Parties, the suppliers active in the supply of generalist online classified advertising and C2C online marketplaces services in the UK are FBMP, Depop, Preloved, Amazon, Etsy and other minor competitors.
213. The CMA assessed the constraint from these alternatives by taking into consideration:
- (a) the Parties' submissions;
  - (b) similarity of service proposition;
  - (c) the Parties' internal documents; and
  - (d) third party views.

#### *Facebook Marketplace*

214. FBMP, launched in the UK in October 2016,<sup>220</sup> is similar to a generalist classified advertising platform/online C2C marketplace in that it enables users

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<sup>220</sup> Prior to this date, significant buying and selling was occurring on Facebook through buyer and seller groups. For example, [REDACTED] (EBAY-007311 2014 C2C Market Sizing Estimate.xlsx).



to list and browse items within a specific geographic area in a structured manner, enabling people and businesses to buy and sell their products and services (including cars and real estate listings) online within the Facebook website and app. Facebook does not charge listing fees and transactions occur off-platform in the UK.<sup>221</sup> The CMA estimates FBMP has a share of supply of [20-30]% by visits and [10-20]% by new generalist listings.

- *Parties' submissions*

215. The Parties submitted that both Gumtree and Shpock's closest competitor is FBMP.<sup>222</sup> The Parties highlighted that Facebook Marketplace has fundamentally influenced the UK [redacted].<sup>223</sup> The Parties submitted that FBMP has not just grown the market, [redacted] and Shpock [redacted].

216. The Parties submitted that FBMP has several unique advantages such as its social media platform, its ability to monetise FBMP through access to user data and through advertising revenues (rather than having to rely also on listing or subscription fees), brand awareness, and vast financial and technical resources.<sup>224</sup> The Parties also submitted that they expect FBMP's competitive threat to continue to increase significantly;<sup>225</sup> and that they expect FBMP to introduce transactional features in the UK in the near future, as they have recently done so in the US;<sup>226</sup> and note that Facebook has already introduced Facebook Pay in the UK (which allows users to use P2P payments on Facebook).<sup>227</sup>

- *Internal documents*

217. The Parties' internal documents indicate that Shpock, Gumtree and eBay Marketplace [redacted] monitor FBMP as a [redacted] competitor, although often alongside other competitors. This is clear from the internal documents discussed at paragraphs 189 to 193 above.

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<sup>221</sup> On-platform transactions are available in the US and incur a fee. [redacted].

<sup>222</sup> FMN, paragraph 12.8.

<sup>223</sup> FMN, paragraph 15.37; Parties' Issues Letter Response, paragraph 233.

<sup>224</sup> FMN, paragraph 12.11.

<sup>225</sup> FMN, paragraph 5.

<sup>226</sup> FMN, paragraph 12.12.

<sup>227</sup> Parties' Issues Letter Response, paragraph 237.

218. As set out in those paragraphs, eBay’s internal documents in particular refer to Facebook [REDACTED]. eBay internal documents have also referred to FBMP [REDACTED],<sup>228</sup> [REDACTED].<sup>229</sup>
219. In addition, some eCG internal documents [REDACTED] (see paragraph 192 above), and have considered and monitored [REDACTED].<sup>230</sup>
- *Third party views*
220. Facebook told the CMA that FBMP operates in a wide e-commerce space and does not have any material concerns about the Merger. However, Facebook did list the Parties as competitors amongst other generalist classified advertising platforms and online marketplaces. Facebook also told the CMA it ‘is continuously innovating and adapting to remain relevant’,<sup>231</sup> for example, in light of the Coronavirus (COVID-19) pandemic Facebook has launched Facebook Shops in the UK (currently with transactional features, and fees, only in the US).<sup>232</sup> [REDACTED].<sup>233</sup>
221. Half of the competitors who responded to the question asking the third party to identify their top 5 competitors told the CMA that FBMP is within their top 5 competitors, though always ranked after eBay Marketplace. One competitor noted that FBMP is easy to start using and provides a high chance of selling, though there is potentially a perceived lack of trust and safety.
- *CMA’s assessment*
222. Since its launch in 2016, FBMP has grown rapidly. Based on the average monthly visits and listings shares of above (Table 1 and Table 2), FBMP is currently larger than both Gumtree and Shpock combined, and is the second largest platform, after eBay Marketplace. Facebook’s share of supply of listings has also increased since 2018, [REDACTED]. The Parties’ internal documents also indicate that each of Shpock, Gumtree and eBay Marketplace view FBMP as a [REDACTED] competitor.
223. The Parties submitted that FBMP [REDACTED] and that this trend is likely to continue. In doing so they rely on the fact that the number of new listings [REDACTED].<sup>234</sup>

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<sup>228</sup> A ‘Local Strategy’ document from August 2018 (EBAY-006796, 2018\_UK Localstrategy1708 FINAL (004).pptx, page 5), refers to [REDACTED].

<sup>229</sup> See EBAY-006807, C2C insights brief Jan 2020.pptx, 21 January 2020, pages 2-3. The document explains that [REDACTED].

<sup>230</sup> See for example, Annex 010.B.1.1 [REDACTED], October 2019; Annex 010.B.1.9 [REDACTED], June 2020.

<sup>231</sup> [REDACTED].

<sup>232</sup> [Introducing Facebook Shops: Helping Small Businesses Sell Online - About Facebook \(fb.com\)](https://www.facebook.com/help/1000000000000000).

<sup>233</sup> [REDACTED].

<sup>234</sup> Parties’ Issues Letter Response, Figures 7 and 13.

224. However, it remains unclear to what extent [redacted] are due to FBMP as opposed to other factors. Shpock's internal documents from 2018 indicate that [redacted] (see paragraph 189(b)).
225. The documentary evidence discussed above at paragraphs 177 to 184 also indicates that Gumtree has lacked [redacted], and has missed opportunities to expand [redacted] as a result of eBay's ownership (due to eBay's desire to prevent Gumtree adopting strategies that compete with eBay Marketplace), suggesting that Gumtree's [redacted] is not solely due to competition from other players such as FBMP.
226. It is also likely the case that FBMP has succeeded in expanding the market, particularly given its ability to leverage its existing audience of users on its social network, whilst also benefiting from a range of other advantages as noted above. Internal documents also suggest that the addressable market is expanding.<sup>235</sup>
227. The Parties also submitted that FBMP has an unchecked potential to grow. It is not entirely clear however whether the growth levels that FBMP has experienced in the past will continue. For example, the shares of supply set out at Table 1 and Table 2 above indicate that FBMP's share of average monthly visits and new listings fell between 2019 and 2020.
228. Furthermore, the shares of supply suggest that in contrast to Shpock and Gumtree, eBay Marketplace may have been less impacted by FBMP. In particular, whilst [redacted] (see Table 1 and Table 2).
229. FBMP's ability to grow may also be limited to some extent by the fact that it is a closed network, requiring users to be members of Facebook in order to buy and sell items on the site.
230. In addition, FBMP is not currently a transactional platform in the UK. Were FBMP to transition to a transactional platform this could strengthen its constraint, bringing it into more direct competition with eBay Marketplace. Transactional features could also strengthen buyer/seller protection, [redacted].<sup>236</sup> This could help to reduce any perceived lack of trust in using FBMP, a weakness also identified by a competitor (see paragraph 221). As set out in paragraph 216, the Parties' expectation of FBMP introducing transactional features in the UK in the near future is based on Facebook having recently done so in the US, and that it has also introduced Facebook Pay in the UK. The CMA considers however that whilst FBMP may be capable of introducing

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<sup>235</sup> See eg, EBAY-007343, Project Oak Management Presentation, February 2020, slide 12.

<sup>236</sup> Annex 010.B.3.1 [redacted], Global User Research, 17 April 2020, page 21.

transactional features in the UK, overall there remains limited evidence to support the timeliness of such an introduction in the UK.

231. Overall, the CMA considers that FBMP imposes a significant competitive constraint on the Parties for generalist online classified advertising services in the UK, although the strength of its constraint may be more limited in relation to eBay Marketplace than for Shpock or Gumtree. The constraint exercised by FBMP could also grow further in the future, although based on the available evidence, the extent to which this will occur is uncertain.

#### *Other generalist classified advertising platforms*

232. The Parties listed a long tail of other competing generalist classified advertising platforms including Depop, Preloved and Vinted, and other smaller generalist classified advertising platforms. The CMA considers that these alternatives offer only a limited competitive constraint on the Parties for the reasons set out below.

- *Depop*

233. **Depop** is a UK-based app-first classified advertising platform focusing on fashion and a younger audience. Depop has mandatory transactional features and charges sellers a fee per transaction set at 10% of an item's value including shipping, similar to eBay Marketplace.<sup>237</sup> Depop accounts for a small share of supply, though it is the largest of the other generalist classified advertising platforms (that is, aside from the Parties and FBMP). The Parties submitted that Depop is a key competitor because of its younger audience and focus on fashion.<sup>238</sup> The Parties also submitted that [REDACTED].<sup>239</sup> [REDACTED].<sup>240</sup> [REDACTED]<sup>241</sup> [REDACTED].<sup>242</sup> Half of the competitors who responded to the question told the CMA that Depop is within their top 5 competitors. Three competitors noted Depop is limited in the categories it lists. On the basis of available evidence, the CMA considers that Depop offers a modest competitive constraint on the Parties.

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<sup>237</sup> See [Depop fees / Why have I been charged? – Depop help GB \(zendesk.com\)](#).

<sup>238</sup> FMN, Executive Summary, paragraph 14.

<sup>239</sup> FMN, paragraphs 12.8, 15.28-15.30.

<sup>240</sup> Annex 010.A10 Shpock Company Presentation, 11 October 2019, page 3; Annex 010.A11 [REDACTED], 17 October 2019 pages 3, 6, 16, and 19.

<sup>241</sup> Annex 010.A11 [REDACTED], 17 October 2019, page 6.

<sup>242</sup> Annex 010.A12 Shpock Update, 8 June 2020, page 2.

- *Preloved*

234. **Preloved** is a UK-based generalist classified advertising platform, with some real estate and motor vehicle listings. Preloved has a classified advertising business model where it charges a subscription fee for enhanced listing services and transactions occur off-platform. Preloved has a very small share of supply. The Parties submitted that Preloved is a well-funded rival of Shpock and Gumtree.<sup>243</sup> Internal documents show that eCG compares Gumtree's performance against many competitors, [REDACTED]. [REDACTED].<sup>244</sup> Only one competitor who responded to the CMA's question requesting competitors to name their top 5 competitors told the CMA that Preloved is within their top 5 competitors, though stated Preloved is not growing. The CMA considers that Preloved offers a limited competitive constraint on the Parties.

- *Vinted*

235. **Vinted** is a Lithuanian-based online C2C generalist classified advertising platform, focused on second-hand fashion and has a platform that operates in the UK. Vinted has optional transactional features, charging buyers a fee when transactions occur on-platform (which, like Shpock, is charged for offering a buyer protection guarantee), and offers free listings, which can be promoted for a fee. The Parties submitted that Vinted is a well-funded rival of Shpock and Gumtree [REDACTED].<sup>245, 246</sup> [REDACTED].<sup>247</sup> Only one competitor who responded to the CMA's question requesting competitors to name their top 5 competitors told the CMA that Vinted is within their top 5 competitors; the same competitor also noted that Vinted only lists second-hand clothing. The CMA considers that Vinted offers a limited competitive constraint on the Parties.

- *Smaller generalist classified advertising platforms*

236. The Parties identified other smaller generalist classified advertising platforms (such as Vivastreet, Friday-Ads, Freeads and Nextdoor) as competitors. However, only one competitor, itself one of the smaller alternative suppliers, mentioned any of these alternative suppliers. Another competitor listed Craigslist and Zalando as competitors, however, neither the Parties nor any of the other competitors mentioned these platforms. These platforms are rarely,

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<sup>243</sup> FMN, Executive Summary, paragraph 14.

<sup>244</sup> Annex 010.B.2a.1 Marketing Effectiveness Tracker, Results Q1 2018, 20 April 2018, page 7; Annex 010.B.2a.9 Marketing Effectiveness Tracker, Results Q1 2020, 28 April 2020, page 7; Annex 010.B.2a.10 Marketing Effectiveness Tracker, Results Q2 2020, 27 July 2020, page 7.

<sup>245</sup> FMN, paragraph 12.8 and Executive Summary, paragraph 14.

<sup>246</sup> The Parties further submitted that [REDACTED] (Parties' Issues Letter Response, paragraph 239). However, given the evidence discussed in paragraph 235, the CMA considers that Vinted offers a limited competitive constraint on the Parties.

<sup>247</sup> Annex RFI 1 Q.20.

if at all, mentioned in the Parties' internal documents. Therefore the CMA considers these other alternatives offer a very limited, if any, competitive constraint on the Parties.

### *Online marketplaces*

237. The Parties submitted that their C2C online marketplace competitors include: Amazon, Etsy, Vestiaire Collective, Rebelle and Folksy. The CMA considers that of these alternative suppliers only Amazon and Etsy offer some competitive constraint, and the other C2C online marketplaces provide very limited, if any, competitive constraint on the Parties for the reasons set out below.

238. As set out in paragraph 125, the CMA has also considered B2C activities of online marketplaces as a potential constraint on online generalist classified advertising platforms and C2C online marketplaces. This is particularly the case for eBay Marketplace due to its B2C activities.

- *Amazon*

239. **Amazon** is an online retail platform connecting consumers with generalist products from Amazon and third party sellers, the vast majority of whom are B2C. Amazon offers transactional features and charges a fee per transaction. C2C selling on Amazon accounts for a small proportion of sales on Amazon and also a small share of supply within the frame of reference, though it is the largest C2C online marketplace after eBay Marketplace.

240. The Parties submitted that they face strong competition from Amazon,<sup>248</sup> and that [REDACTED].<sup>249</sup> eCG's and eBay's internal documents show [REDACTED]. [REDACTED].<sup>250</sup> [REDACTED].<sup>251</sup> However, a Shpock business review presentation from August 2018 states that [REDACTED].<sup>252</sup>

241. Only one competitor who responded to the CMA's question requesting competitors to name their top 5 competitors told the CMA that Amazon is within their top 5 competitors, saying 'Amazon is the world's largest general retailer and marketplace'.

242. On the basis of available evidence, the CMA believes that, due to Amazon's strength in B2C activities, it provides a modest competitive constraint on the

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<sup>248</sup> FMN, paragraph 12.62

<sup>249</sup> FMN, paragraph 12.46

<sup>250</sup> Annex 010.B.2a.10 Marketing Effectiveness Tracker, Results Q2 2020, 27 July 2020, page 7.

<sup>251</sup> EBAY-006859 eBay\_sellersegmentation\_MarketSize, 7 July 2020, page 36

<sup>252</sup> Annex 010.A3 Shpock Q2 2018 Business Review Presentation, 21 August 2018, page 230.

Parties in online generalist classified advertising platforms and C2C online marketplaces. This constraint is imposed both directly through Amazon's C2C activity and indirectly through Amazon's B2C activity constraining the C2C buyer side.

- *Etsy*

243. **Etsy** is an online marketplace, with a focus on handmade or vintage items and craft supplies. Etsy offers transaction features and charges sellers listing and transaction fees. C2C selling on Etsy accounts for a small share of supply within the frame of reference.

244. The Parties submitted that they face strong competition from Etsy.<sup>253</sup> However, though [REDACTED] eCG's and eBay's internal documents, [REDACTED], suggesting it is not a focus of the Parties. For example, an eBay presentation notes that [REDACTED].<sup>254</sup> [REDACTED].<sup>255</sup> [REDACTED].<sup>256</sup> Finally, Shpock's internal documents do not refer to Etsy.

245. No competitor who responded to the CMA's question requesting competitors to name their top 5 competitors told the CMA that Etsy is within their top 5 competitors. Etsy told the CMA that it competes with eBay (ranked second as a competitor), but does not consider it competes with Gumtree or Shpock.<sup>257</sup>

246. The CMA considers that Etsy offers a limited competitive constraint on the Parties in online generalist classified advertising services and C2C online marketplaces.

- *Other online marketplaces*

247. None of the competitors who responded to the CMA's merger investigation mentioned the other marketplaces the Parties listed (Vestiaire Collective, Rebelle and Folksy). One competitor listed another alternative supplier (Alibaba) as a competitor. These other marketplaces are rarely, if at all, mentioned in the Parties' internal documents. Therefore the CMA considers these other marketplaces offer a very limited, if any, competitive constraint on the Parties.

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<sup>253</sup> FMN, paragraph 12.62

<sup>254</sup> EBAY-003741 BoardofDirectors-[REDACTED]-Meeting-v1.pdf, page 30

<sup>255</sup> EBAY-006859 eBay\_sellersegmentation\_MarketSize, 7 July 2020, page 36

<sup>256</sup> Annex 010.B.2a.10 Marketing Effectiveness Tracker, Results Q2 2020, 27 July 2020, page 8.

<sup>257</sup> [REDACTED].

### *Conclusion on competitive constraints*

248. In light of the above evidence, the CMA considers that only FBMP provides a significant constraint on the Parties in the supply of generalist online classified advertising services and C2C online marketplaces in the UK. However, this constraint may be more limited in relation to eBay Marketplace than for Shpock or Gumtree.
249. The CMA considers that Depop provides a modest constraint based on the Parties' internal documents, its focus on fashion and its small share of supply. Additionally, the CMA considers that Amazon provides a modest constraint, coming directly through Amazon's C2C activity and indirectly through Amazon's B2C activity constraining the C2C buyer side. Finally, the CMA considers that other constraints appear limited at most.
250. Overall, the CMA believes these constraints taken together are insufficient to offset the loss of competition resulting from the Merger.

### *eBay's ability and incentive to reduce competition between eBay Marketplace and Gumtree and Shpock*

251. The CMA considered eBay's ability and incentive to reduce competition between eBay Marketplace and Gumtree and Shpock as a result of its material influence over Adevinta.

#### *Ability*

- *Parties' submissions*

252. The Parties submitted that eBay would not control Adevinta and so, post-Merger, could not influence Gumtree or Shpock to compete less aggressively with eBay Marketplace for C2C listings.<sup>258</sup> The Parties also argued that non-eBay members of Adevinta's board would have no incentive to act in the interests of eBay at the expense of Adevinta. Similarly, all other shareholders of Adevinta (including the largest shareholder post-Merger, Schibsted), would have no incentive to support eBay's self-interest above its own.

- *CMA's assessment*

253. Although eBay will not control Adevinta, the Parties accepted that eBay will have material influence over Adevinta. As discussed from paragraph 44

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<sup>258</sup> FMN, paragraph 12.79



above, eBay will have approximately 33% of the voting interest in Adevinta, the right to appoint two (of eight)<sup>259</sup> directors to its board, as well as other minority rights.

254. Under Norwegian law, a range of corporate actions require approval by at least two-thirds of the share capital represented at the general meeting. These include: authorisation for the board to issue new shares or convertible bonds, or to acquire shares of Adevinta; reduction of the share capital of Adevinta by distribution to shareholders or otherwise; issue of new shares, convertible bonds or warrants in Adevinta; mergers and de-mergers involving Adevinta; and amendments to Adevinta's Articles of Association.<sup>260</sup> The knowledge that eBay has an effective power to block such corporate actions may make other shareholders (including Schibsted) less likely to disagree with eBay over commercial policy in relation to Shpock and Gumtree. The threat of blocking such actions alone may be sufficient to discourage other shareholders from disagreeing with eBay.
255. eBay also has considerable industry knowledge and expertise, particularly in relation to the UK, which could increase its ability to influence Adevinta. Moreover, the CMA considers that eBay could use its knowledge and expertise to argue in favour of courses of action that reduce competition with eBay Marketplace in the UK but which could nonetheless be to the overall benefit of Adevinta and its shareholders. For instance, this could encompass encouraging Adevinta to focus on its platforms in other countries, rather than investing further in Shpock or Gumtree in the UK; and/or encouraging further investment in Gumtree as a vertical player in relation to motors classified advertising, rather than as a stronger generalist competitor (eg through adopting transactional features). That [REDACTED], increases the likelihood that eBay could succeed in persuading other Adevinta shareholders/board members to agree to such courses of actions.

### *Incentive*

- *Parties' submission*

256. The Parties submitted that even if eBay had the ability to influence Shpock and Gumtree to compete less aggressively with eBay Marketplace, it would not have the incentive to do so because Shpock and Gumtree are highly differentiated from eBay Marketplace, [REDACTED], and Shpock is also a tiny player.

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<sup>259</sup> The Parties submit that Adevinta's board will increase to nine at the first general meeting post-completion (FMN, paragraph 7.1(c)).

<sup>260</sup> Parties' response to RF13, paragraph 1.5.

- *CMA's assessment*

257. The CMA considers that eBay would have the incentive to influence Gumtree and Shpock for the following reasons:

- (a) In the counterfactual, Gumtree has the potential to be a close competitor to eBay Marketplace, for the reasons set out from paragraph 177 above.
- (b) The C2C segment on eBay Marketplace is an [redacted] (as discussed above at paragraph 116). Furthermore, and as discussed further from paragraph 194, in favouring Adevinta's bid and the ability to retain a minority stake in eCG, eBay had specifically taken into account the overlap between the C2C part of eBay Marketplace and eCG (with the largest overlap being in the UK). In doing so, eBay had also taken into account and quantified the likely dis-synergies of further competition from eCG under independent ownership.
- (c) Shpock is a closer competitor to eBay Marketplace since re-positioning itself as a transactional platform. Shpock's model undercuts eBay Marketplace on price, and Shpock's competitive constraint could grow in the future. eBay internal documents also indicate that eBay Marketplace may be motivated to see Shpock closed down in the UK. For example, an eBay document, [redacted].<sup>261</sup>
- (d) As discussed at paragraph 255, eBay could use its material influence to persuade other Adevinta shareholders/board members to adopt courses of action that reduce competition with eBay Marketplace in the UK but which are nonetheless to the overall benefit of Adevinta. If Adevinta adopted such courses of action, eBay would achieve a reduction in competition from Gumtree and Shpock whilst also not reducing its potential revenues associated with its shareholding in Adevinta.

### *Conclusion*

258. For the above reasons, the CMA therefore considers that eBay would have the ability and incentive to reduce competition between eBay Marketplace and Gumtree and Shpock post-Merger.

### ***Conclusion on horizontal unilateral effects***

259. For the reasons set out above, the CMA believes that the Merger raises significant competition concerns as a result of horizontal unilateral effects in

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<sup>261</sup> EBAY-006465 'Oak\_eCG\_deck\_Synergies\_Dec19.pptx', page 7.

relation to the supply of online generalist classified advertising services and C2C online Marketplaces. In particular, the CMA considers that:

- (a) eBay Marketplace is the largest platform in the frame of reference with a considerable share of supply, between [50-60]-[70-80]%. eBay Marketplace together with Gumtree and Shpock have a combined share of supply between [60-70]-[70-80]%, involving a [5-10]-[10-20]% increment to eBay Marketplace's share. eBay Marketplace, Gumtree, and Shpock, are, or have the potential to be, close competitors.
- (b) Under the more competitive counterfactual that the CMA considers to be applicable, Gumtree (as well as Shpock) would be independent of eBay, and free to compete with eBay Marketplace.
- (c) As a result of the Merger, eBay will acquire the ability and incentive to materially influence Adevinta. The CMA also considers that eBay would have the ability and incentive to discourage Adevinta from adopting policies in relation to Gumtree and Shpock that could harm eBay Marketplace.
- (d) Whilst the Parties face competition from a number of other suppliers, the CMA considers that most of these are small or differentiated from the Parties. The CMA considers that only one of these (FBMP) is able to provide a significant constraint. Other generalist classified advertising platforms and C2C marketplaces only provide a modest or limited constraint. The CMA does not therefore consider that alternative suppliers (whether considered individually or in aggregate) would be able to exert a sufficient competitive constraint to prevent significant competition concerns arising from the Merger.

### ***Barriers to entry and expansion***

260. Entry, or expansion of existing firms, can mitigate the initial effect of the acquisition on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent a substantial lessening of competition, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>262</sup> In terms of timeliness, the CMA's guidelines indicate that the CMA will look for entry to occur within two years.<sup>263</sup>

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<sup>262</sup> [Merger Assessment Guidelines](#), paragraph 5.8.3.

<sup>263</sup> [Merger Assessment Guidelines](#), paragraph 5.8.11.

261. The Parties submitted that barriers are low, particularly for platforms with a UK presence or for established businesses that are looking to expand in the UK. Furthermore, the Parties submitted that there are many examples of entry into online classified advertising in recent years, as well as there being constant innovation and expansion in the sector.<sup>264</sup>
262. The Parties said that there are several market features that facilitate entry and expansion. For example: buyers and sellers multi-home across platforms and search advertising provides new entrants with a way of raising brand profile at a lower cost than marketing campaigns (eg TV campaigns). The Parties noted that there are technology costs to building a platform but that once this is established, there are low costs to expanding the platform to additional categories and/or geographically.<sup>265</sup>
263. The examples of recent entry provided by the Parties were limited. The most recent entrant in 2017, Mercari, has already left the UK market. Although Nextdoor remains in the UK market since its entry in 2016, its share of supply remains very small. Finally, Facebook successfully launched FBMP in 2016, but the CMA noted Facebook was already present in the market (see paragraph 214) and that it has significant and unique advantages as a result of its activities in social media.<sup>266,267</sup>
264. The CMA also notes an eBay internal document [redacted].<sup>268</sup> The Parties submitted that any new entrant would face strong competition from FBMP and that new entry in recent years has focused on niche segments or innovative business models.<sup>269</sup> The CMA notes that niche entry would be unlikely to provide a significant constraint on the Parties.
265. The evidence received by the CMA from third parties does not indicate that entry or expansion will be timely, likely or sufficient to mitigate any SLC arising.<sup>270</sup> In particular:
- (a) One competitor submitted that while it may be possible to enter the market, it would be difficult to become successful – highlighting the need

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<sup>264</sup> FMN, paragraph 21.2.

<sup>265</sup> FMN, paragraph 21.3.

<sup>266</sup> FMN, Table 63.

<sup>267</sup> The Parties submitted that Poshmark is expected to expand to the UK in 2021 (Parties' Issues Letter Response, paragraph 254). Poshmark operates a transactional classifieds platform for fashion and home goods and would therefore be a niche entrant that would be unlikely to provide a significant constraint on the Parties.

<sup>268</sup> EBAY-006317 Cairo v12.pptx 16 August 2019, pages 3-5.

<sup>269</sup> FMN, paragraph 21.5.

<sup>270</sup> The Parties submitted that Vinted has invested in marketing and its app download rate has doubled (Parties' Issues Letter Response, paragraph 252). However, given the small size of Vinted, it would unlikely provide a sufficient constraint on the Parties. The Parties also submitted that Amazon could increase its presence in C2C sales using its resources and expertise (Parties' Issues Letter Response, paragraph 253). [redacted] Amazon told the CMA [redacted].

to reach a 'critical mass of buyers and sellers'. It also told the CMA that the nature of entrant matters; entrants with an established brand and good financial resources will find it easier to be successful.

- (b) Two competitors also noted that the existence of well-known and established players made it difficult to enter. One of these competitors stated that both the market share of Gumtree and eBay Marketplace and the fact that they are household names, makes it difficult for new entrants to compete. In particular, it was highlighted that trust in the platform is an important factor to success in the C2C market.
- (c) Two competitors noted that high marketing costs are a barrier as entrants need both TV and display advertising in order to scale the platform.
- (d) Two competitors highlighted technology and product integration costs such as offering transactional and shipping features as a barrier.

266. Overall, the evidence received by the CMA does not indicate that entry or expansion will be timely, likely or sufficient to mitigate the competition concerns arising as a result of the Merger.

## **Conclusion on substantial lessening of competition**

267. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the supply of generalist online classified advertising services and C2C online marketplaces in the UK.

## **Decision**

268. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.

269. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>271</sup> The Parties have until 23 February 2021 to offer an undertaking to the CMA.<sup>272</sup> The CMA will refer the Merger for

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<sup>271</sup> Section 33(3)(b) of the Act.

<sup>272</sup> Section 73(2) of the Act.

a phase 2 investigation<sup>273</sup> if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides<sup>274</sup> by 2 March 2021 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

**Joel Bamford**  
**Senior Director, Mergers**  
**Competition and Markets Authority**  
**16 February 2021**

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<sup>273</sup> Sections 33(1) and 34ZA(2) of the Act.

<sup>274</sup> Section 73A(2) of the Act.