



Case summary

13 July 2020

Clearance of merger between online dating platforms

Sector: Online dating platforms

File number: B6-29/20

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The Bundeskartellamt cleared the acquisition of control over The Meet Group Inc., USA, by ProSiebenSat.1 Media SE. The acquisition was cleared in the first phase of merger control, which had been extended to two months due to the COVID-19 pandemic. ProSiebenSat.1's portfolio has included the online dating platforms Parship and ElitePartner since 2016. The Meet Group operates a number of online dating platforms worldwide. Its activities in Germany focus on the Lovoo dating app. The examination showed that the project is not expected to significantly impede effective competition. It is true that the combined market shares of Parship, ElitePartner and Lovoo are relatively high. However, users will have sufficient alternative online dating platforms to choose from after the acquisition. Furthermore, the parties to the merger are not close competitors. The Bundeskartellamt did not expect to see a considerable impediment to effective competition, let alone market tipping, in view of the fact that multi-homing is widespread, market entry barriers are comparatively low and new customer business is highly significant. It did not expect ProSiebenSat.1 to refuse TV advertising space to its competitors, either.

The merger project affects the Germany-wide market for online dating platforms which comprises matchmaking services, online dating services and dating apps. The Bundeskartellamt considered that the question of whether so-called casual dating platforms are to be included in the market could be left open, whereas neither social networks nor live streaming platforms are considered as part of the market.

Already in the B6-57/15 case (OCPE II ("Parship")/EliteMedianet ("Elite Partner")) the Bundeskartellamt assumed that matchmaking services and online dating services are to be defined as belonging to the same product market and that no differentiation is to be made between

the different market sides (agency services for women and for men).¹ These assessments remain valid. However, since 2015, when that decision was made, in particular dating apps which are almost exclusively used via smartphones have gained in importance. The features of dating apps add entertaining elements to the online dating sector which are particularly relevant to younger target audiences. Apps can thus be considered an additional category of online dating platforms, but they are active on the same market.

It is true that matchmaking services, dating services and dating apps can be differentiated according to certain criteria. Matchmaking services like Parship and ElitePartner which are operated by the acquirer for example generate their recommendations based on comprehensive personality tests and require a fee-based membership to be used to full potential. Dating apps and dating services, however, are often available free of charge or at low fees. This is also true for Lovoo. Especially dating apps offer bespoke features for smartphone users, for example the search via current location or a swipe feature. However, these differences are not significant enough to justify the definition of separate markets. The differences are rather gradual and should thus be considered as product differentiations on a joint market on which users with heterogeneous preferences are active. Most people use matchmaking services, dating services and dating apps to find a person to start a relationship with. Online dating platforms are used for contact initiation.

Many different providers are active on the market for online dating platforms. For the calculation of market shares it had to be taken into account that a large variety of business models exists in online platform markets. For this reason market shares were calculated both on the basis of turnover and on the basis of users. Especially innovative dating apps can have business models primarily aimed at achieving large user numbers. The next step is to monetise the user numbers, for example through advertising revenue or by charging for the use of certain features.

The Bundeskartellamt did not expect to see a considerable impediment of effective competition on the market for online dating platforms. It is true that the acquiring company has the highest turnover in the market and the dating app Lovoo, the target company's most important platform for the German market, has many users. However, when considering user-based market shares, the market leader is the Match Group, which operates the dating apps Tinder and OKCupid and the dating platforms Lovescout24, neu.de and Zweisam. What is more, the dating apps Badoo and Bumble, which are part of Magic Lab Inc., are two important competitors. There are also

¹ For the joint assessment of market sides see also Case Summary of 25 June 2015 – B6-39/15 – *Immo-net/Immowelt* and Case Summary of 5 August 2015 – B8-67/15 – *P7S1/Verivox*.

other, smaller platforms, especially dating and matchmaking services, that specifically address certain target audiences, for example older users.

The Bundeskartellamt did not expect the merger to give rise to or strengthen a dominant position despite the fact that it significantly increases concentration on the online dating market. There were no reasons for concerns regarding increased market entry barriers or limited innovation competition as a result of the merger. The online dating platform market is marked by strong dynamics. Especially dating apps were able to gain market shares in recent years with their innovative business model. Tinder in particular managed to boost its user numbers, which were already high in 2015, and to monetise them and become an important player in the market. Tinder and new market entries in recent years, for example by the LemonSwan dating service or the Bumble dating app, have shown that the market is basically contestable. The market can be expected to remain contestable, also in view of the significance of new customer business. In addition to these factors, Facebook Dating is expected to enter the market in the near future. After its US launch in 2019 Facebook Dating became an important market player within a short timeframe and was able to exert a high level of competitive pressure on existing providers, which can be assumed to happen in Germany as well.

Another aspect to be considered was the fact that the acquirers Parship and ElitePartner on the one side and the target company Lovoo on the other are not very close competitors, which means that in future users of these services will still have alternatives to choose from. Whereas Parship and ElitePartner are active in the higher-priced market segment of targeted matchmaking, Lovoo is basically available free of charge and has been used to a considerably larger extent for more casual contacts.

As online dating platforms also benefit from positive indirect network effects it also had to be examined whether the merger would cause the market to tip. Despite the parties' strong position, the Bundeskartellamt does not expect the concentration to narrow down the choice to a single provider, especially with a view to the Match Group's high significance for the market. It is true that due to the high dynamics in the internet economy even small competitive advantages can quickly cause self-reinforcing effects in the area of platform markets. However, the online dating sector is marked by a number of effects preventing market tipping, which make such developments unlikely.

Firstly, a significant degree of multi-homing can be observed. Many users are active on more than one platform and use the offers of various providers across market segments, in particular when

it comes to dating apps. As a consequence, the platforms strive for strong differentiation, for example with regard to the features they offer, which means that the features may differ considerably from one platform to the next. Based on the combination of these two aspects it can be assumed that several differentiated online dating platforms can be present on the market in the long run. What is more, new customer business is of particular significance in the area of online dating. In the short term, repeated use by the same user is unlikely, irrespective of whether a match was found or not, making it necessary for providers to constantly attract new customers. The risk of lock-in effects can therefore be deemed low. All these factors make market tipping appear unlikely.

Furthermore there were no concerns that competitors may find it difficult to place TV advertisements as a result of the merger, which could potentially lead to market foreclosure. As the ProSiebenSat.1 group and the RTL group together dominate the TV advertising market, the Bundeskartellamt had to examine the risk of other platforms being impeded from acquiring new customers. The Bundeskartellamt could not confirm potential incentives for market foreclosure as sufficient advertising capacities are available at the TV stations of both groups. The survey among market players also revealed that TV advertising is becoming less important, in particular for attracting younger target audiences, whereas especially online advertising is gaining in importance.