



The Turkish Competition Board Examines Online Dating and Social Discovery Services within the Scope of its Merger Control Regime

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I. Introduction

The Turkish Competition Authority (the "**Authority**") has recently published its *Hyperconnect/Match Group* decision¹ where it approved the acquisition of Hyperconnect Inc. ("**Hyperconnect**") by Match Group Inc. ("**Match Group**"). The decision introduces the Competition Board's (the "**Board**") first-ever assessment of online dating and social discovery services. Following a detailed examination regarding online dating and social discovery services, the Board has decided that the proposed transaction would not result in significant impediment of effective competition under Article 7 of Law No. 4054 on the Protection of Competition ("**Law No. 4054**").

Match Group operates several well-known dating brands, including Tinder, Match, Meetic, OkCupid and Hinge. Each of these online dating applications is mainly designed to increase the users' likelihood of finding a meaningful connection. Match Group is also active in the social discovery segment (individuals or small groups) yet, its activities in Turkey are primarily related to online dating services such as Tinder and OkCupid.

On the other hand, the target Hyperconnect is a South Korean company established in 2014. The company offers an online application called Azar which enables users to communicate with each other on an individual or small group basis. The application connects people from various backgrounds, cultures, genders, and ages through a "video pen pal" service. Hyperconnect also offers a live streaming social discovery service, namely Hakuna Live, and a recently-developed online dating application (i.e., Side) that is not marketed in Turkey.

II. Parties' Activities and Relevant Products and Services

The acquisition mainly concerns social networking services. However, the Board stressed that such services are different from each other based on their business model, type of use and marketing. The Board has analyzed the differences between these services in detail and eventually decided that the parties' products can be further segmented into (i) online dating, (ii) social discovery (individual and small group), and (iii) social discovery (live streaming). In light of its segmentation and taking into account the parties' Turkey-related activities, the Board found a horizontal overlap in the online dating and social discovery (live streaming) segments and stated that there is no vertical relationship between the activities of the Parties. The Board then proceeded to evaluate these markets in detail by classifying the parties'

¹ Turkish Competition Board's *Hyperconnect/Match Group* decision dated 27 May 2021 and numbered 21-27/348-166



activities into the following segments: (i) online dating services, (ii) social discovery (individual and small group) and (iii) social discovery (live streaming). The Board's assessments on the relevant services are as follows:

i. Online Dating Services:

The main purpose of online dating services is to ease building a meaningful relationship with a partner. These services enable establishing first contact via text messaging and a successful match is usually followed by a meeting in person. Moreover, online dating services allow the users to filter their search for a partner based on certain criteria such as age, height, education, religion, political view, and even maximum distance between the users. The ability to select maximum distance shows that the main goal of these services is to enable the users to meet in-person and develop a relationship in real life.

ii. Social Discovery (individual and small group) Services:

Social discovery (individual and small group) services aim to facilitate individual and small group connections with people of any age, gender, demographic or social background and people who may not be located in proximity to each other. The overriding objective of such a service is making new social connections. A social connection may be built with various motives which may be learning a new language or acquiring information about a different culture. To ease initiating broad types of connection, these services apply limited search filters and provide simultaneous translation services.

iii. Social Discovery (live streaming) Services:

Social discovery services (live streaming) provide one-to-many connections in a community-oriented manner, where users simultaneously make numerous social connections by creating content or participating in a live stream. Unlike social discovery (individual and small group) services, social discovery (live streaming) services enable users to monetise their content and earn money from their audience through in-app 'gifts'. Unlike online dating services which aim to find the best match for a romantic relationship, social discovery (both individual and small group, and live streaming) services enable its users to engage in social interactions with a wider group of users.

III. The Board's Final Assessment on the Relevant Markets

The Board has not previously evaluated the relevant social network services. The Board's Hyperconnect/Match Group decision is therefore the first-ever case where these services are assessed by the Board. In this regard, the Board proceeded to refer to the precedents of the

European Commission (“*Commission*”) as well as the German Competition Authority (“*German FCO*”).

The Board stated the German FCO has evaluated the different segments of social networking and online dating platforms in its previous decisional practise. Firstly in 2015, in *Parship/Elite Partner*², the German FCO examined online dating platforms market and decided that it includes matchmaking services and dating services. To that end, the German FCO emphasized that although online dating platforms market includes certain sub-segments, it does not include social media platforms such as Facebook since these services are different in terms of their purpose.

The Board also referred to *ProSiebenSat1/Meet Group*³ decision, where the German FCO classified matchmaking services, online dating services, and dating apps as the sub-segments of the online dating platforms market. The Board also stressed that the German FCO, while defining the relevant market, considered that online dating applications which are available only through smartphones have gained a significant importance since 2015 and these apps therefore belong to the same relevant market as the online dating platforms.

The Board also mentioned the Commission’s *Facebook/Whatsapp* decision⁴, where possible segmentations of social networking services are discussed depending on their functionality, platform, and operating system.

The Board also noted that the parties suggested certain hypothetical relevant product market definitions in terms of their activities which are as follows: (i) all social services, (ii) only online dating services, (iii) only social discovery (individual and small group) services, (iv) combined online dating services and social discovery (individual and small group) services; (v) only social discovery services (live streaming) (vi) combined social discovery (individual and small group) and social discovery (live streaming) services and (vii) combined online dating, social discovery (individual and small group) and social discovery (live streaming) services. However; the Board ultimately left the precise market definition open on the ground that the definition of the relevant product market would not have any impact on its analysis.

IV. Competitive Assessment

The Board examined the transaction in terms of the hypothetical relevant markets listed above. The Board assessed the market shares of the parties on the basis of download numbers for these services.

² German Competition Authority’s *Parship / Elite Partner* decision dated 22 October 2015 and numbered B6-57/15

³ German Competition Authority’s *ProSiebenSat1/Meet Group* decision dated 6 July 2020 and numbered B6-29/20

⁴ European Commission’s *Facebook/Whatsapp* decision dated 3 October 2014 and numbered COMP/M.7217

Based on the parties and their competitors' market shares in the possible relevant markets, the Board found that the transaction does not create dominant position or strengthen an existing dominant position. Apart from the markets shares, number of factors has also been taken into account by the Board in its assessment such as (i) dynamic nature of the online dating services market, (ii) presence of new entrants, (iii) users' tendency for multi-homing, (iv) low entry barriers, (v) existence of competition among apps offering social discovery (individual and small groups) services, (vi) the ability for users to easily switch to alternative applications and (vii) high product differentiation.

In this regard, the Board emphasized users' tendency for multi-homing and stated that users are not captured exclusively by service providers. By taking into account the information submitted by the parties, the Board considered the tendency for multi-homing as a factor rendering the transaction unproblematic. Accordingly, the Board underlined that the existence of multi-homing decreases the entry barriers and eliminates the risk of tipping.

The Board also assessed the existence of product differentiation as a factor rendering the market dynamic and competitive. To that end, the Board stated that it is possible for players to gain a market presence by creating innovative options in order to meet users' rapidly changing needs. As an example, the Board referred to the success of Bumble, which is currently one of the most-known online dating apps, since its launch in 2014. Apart from Bumble, recent entries into the social network services have also been taken into consideration in the Board's assessment (such as Lamour (2019), LivU (2017), House Party (2016) and Bigo Live (2016)).

The Board also referred to the findings of German FCO in its *ProSiebenSat1/Meet Group* decision and stated that relatively high market shares have been found unproblematic due to factors such as the existence of multi-homing and alternative platforms and low market barriers.

In light of the foregoing considerations, the Board unconditionally approved the relevant transaction.

V. Conclusion

Hyperconnect/Match Group decision is the first-ever decision where online dating and social discovery (individual and small group, and live streaming) services are assessed by the Board. The decision provides detailed assessments on the market definition and useful insight on the concepts used in the review of online services such as multi-homing and product differentiation. It also reveals the Board's tendency to closely monitor the international competition law practices in its own decision-making process.



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