Benefits of online platforms: technical appendix Prepared for Google October 2015 www.oxera.com

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A1 Consumer use of platforms

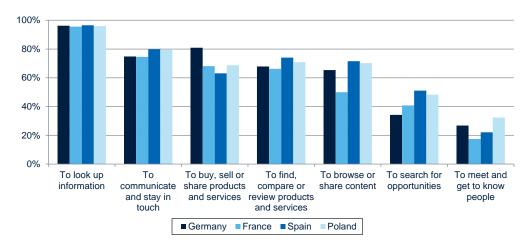
This appendix presents the survey results on consumer usage of online platforms, including what types of platform consumers use, for which activities and how often.

The most popular Internet activities for consumers are similar across countries: looking up information; and communicating with friends, family and others. While there are differences in usage between men and women, and between respondents of different ages, these are not generally significant. How often consumers use online platforms varies across platform type.

A1.1 Activities undertaken on online platforms

Looking up information is the most popular activity on the Internet for consumers: on average, 96% of respondents did this within the past month (Figure A1.1). The highest proportion of respondents use the Internet to communicate and stay in touch with family, friends and others in Spain (80%), followed by Poland (79%), and Germany and France (75% each). Across countries, the highest proportion of respondents who use the Internet to find, compare and review products and services is 74% in Spain, followed by 71% in Poland, 68% in Germany and 66% in France.

Figure A1.1 Activities performed by consumers on the Internet in the past month



Question: For which of the following activities did you use the Internet in the past month? Base: Total survey respondents: 6,010 (Germany: 1,501; France: 1,505; Spain: 1,502; Poland: 1,502).

Source: Oxera analysis.

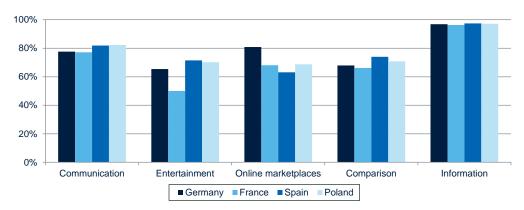
Other activities are less popular, such as buying, selling or sharing products and services, and browsing or sharing content such as music, videos and photos, although still more than half of all consumers surveyed undertake these activities in all countries. There is more variation across countries for these activities. In Germany, for instance, 81% of respondents have accessed the Internet in the past month to buy, sell or share products and services. This compares with 63% in Spain, 68% in France, and 69% in Poland. In France, 50% of respondents use online platforms to browse or share content such as music, videos or photos. This compares with 65% in Germany, 70% in Poland, and 72% in Spain. Compared with these activities, fewer consumers use the Internet to search for opportunities, or to meet and get to know people.

The survey was designed to ask consumers specific questions about different types of platform. Platforms were grouped into types based on the activities that consumers are likely to undertake on them.

- Communications platforms are websites or apps, such as social networks, used by consumers to communicate and stay in touch with friends, family and other contacts, or to meet and get to know people.
- **Entertainment platforms** are websites or apps used by consumers to access or share content such as music, videos or photos.
- Online marketplaces are websites or apps used by consumers to buy, sell or share products and services.
- **Comparison platforms** are websites or apps used by consumers to find, compare or review products and services.
- **Information platforms** are used by consumers to look up information or search for opportunities.

Information and communications platforms are more popular than entertainment and comparison platforms and online marketplaces. The degrees of their popularity are relatively consistent across countries (Figure A1.2).

Figure A1.2 Platform types used by consumers in the past month



Question: For which of the following activities did you use the Internet in the past month? Base: Total survey respondents (6,010).

Source: Oxera analysis.

Demographics

In general, with the exception of information platforms, older respondents use platforms less than younger ones (Figure A1.3).

100%
80%
60%
40%
20%
Communication Entertainment Online Comparison Information marketplaces

18-24 25-34 35-44 45-54 55+

Figure A1.3 Use of platform types by age

Question: For which of the following activities did you use the Internet in the past month? Base: Total survey respondents (6,010).

Source: Oxera analysis.

There are some disparities in the use of platform types by gender: for example, 81% of female consumers use platforms to communicate and stay in touch compared with 73% of male consumers. On the other hand, more male consumers (29%) use websites/apps to meet and get to know people than female consumers (21%).

Frequency

There is variation in how often people use different platform types. This may be because certain activities, such as buying, selling or comparing goods, are done less often than others, such as communication.

The platforms that are used most often are communication, entertainment and information platforms (Figure A1.4). Spain has the highest daily use of communications platforms, with 92% of users reporting that they use such platforms at least once a day. This is followed by Germany (85%), Poland (82%) and France (77%). Few users (1% of respondents in Germany and Spain each, 3% in Poland and 5% in France) use communications platforms less than once a week.

Entertainment platforms are also used often: between 73% and 77% of respondents use entertainment platforms at least once a day in Germany, France and Poland, and 83% of respondents do so in Spain. Information platforms are frequently used by consumers, with between 64% of respondents in Germany and 79% in Spain using them at least once a day. Only 5% of Polish to 10% of German and French respondents use these platforms at most once a week.

Consumers use online marketplaces with a frequency across countries similar to that for entertainment platforms. A considerable share of users (between 32% in Poland and 41% in Spain) visit online marketplaces at most once a week. Comparison platforms are less frequently used than online marketplaces. A greater share of users (between 49% in Poland and 62% in France) visit online marketplaces at most once a week.

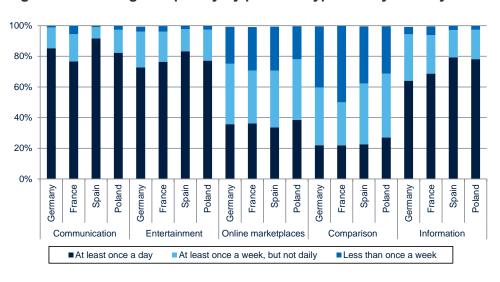


Figure A1.4 Usage frequency by platform type and by country

Question: How often do you use these websites/apps? Base: Respondents who use the relevant type of platform.

Source: Oxera analysis.

Devices

The frequency with which different devices are used to access the Internet varies significantly across devices. Mobile phones and smartphones are most often used in Germany and Spain, whereas laptops are most often used in Poland and France (Figure A1.5). Between 55% of consumers (France) and 78% (Spain) access the Internet on a mobile phone device at least once a day, and 46% (France) to 71% (Spain) do so several times a day. Laptops are used at least once a day by 53% (Germany) to 71% (Poland) of respondents, and 42% (Poland) to 51% (Spain) of respondents use desktop computers at least once a day.

On average, only about a quarter of respondents use tablets at least once a day, and between 33% (Spain) and 47% (France) never do so. Other devices, such as game consoles, netbooks and smart TVs, are used at least once a week by 12% of respondents (France) to 22% (Spain), and never by 51% (Spain) to 70% (France).

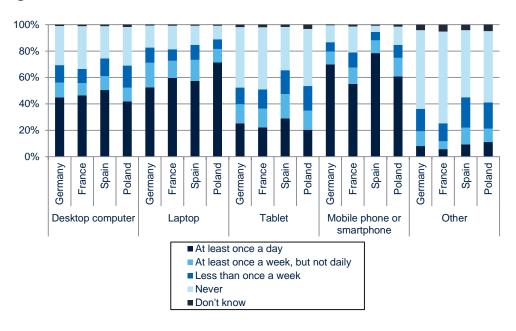


Figure A1.5 Devices used to access the Internet

Question: How often do you use the following devices to access websites/apps? 'Other' includes devices such as game consoles, netbooks and smart TVs. Base: Total survey respondents (6,010).

Source: Oxera analysis.

A1.2 Use of platforms by type

A1.2.1 Use of communications platforms

The most popular task on communications platforms is to communicate and stay in touch with friends, family and others. This is mostly consistent across countries: highest in Poland at 44% of communication users, followed by 43% in Germany and Spain each, and 40% in France (Figure A1.6).

Many consumers share content on communications platforms. Between 22% (France) and 33% (Germany) use these platforms to see content shared or recommended by their contacts, and 20% (France) to 31% (Germany) share their own content. On average, around a quarter of users of communications platform use them to meet new people and stay in touch with people in a professional context.

Communications platforms are also used to find out about events and current affairs (17% in France to 22% in Germany and Poland), to participate in online communities (15% in France to 23% in Germany and Poland), and to find opportunities such as employment (17% in France to 22% in Germany and Poland).

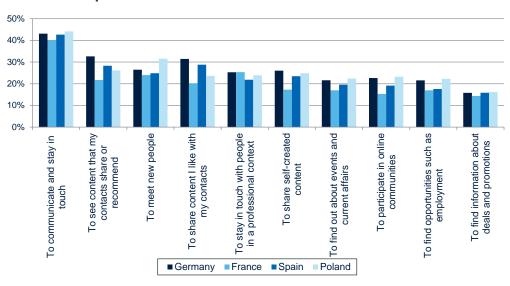


Figure A1.6 Activities for which consumers use communications platforms

Question: Why do you use these websites/apps? Base: Respondents who use communications platforms (3,291, of which Germany: 816, France: 840, Spain: 816, Poland: 819). One option (dating) was removed as it had been mistranslated in the German survey, thus preventing comparison.

Source: Oxera analysis.

A1.2.2 Use of entertainment platforms

Entertainment platforms are primarily used to browse posts, videos and photos; however, a considerable number of respondents also use them for creative purposes. This is broadly consistent across countries (Figure A1.7). Between 56% of respondents (France) and 67% (Poland) who use entertainment platforms do so to browse posts, videos and photos.

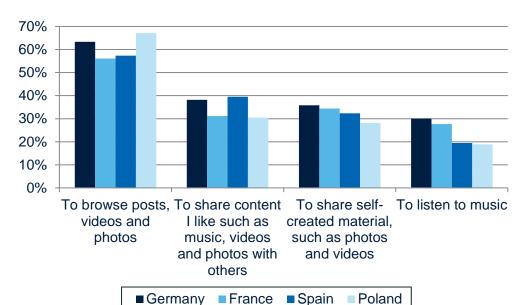


Figure A1.7 Activities for which consumers use entertainment platforms

Question: Why do you use these websites/apps? Base: Respondents who use entertainment platforms (3,181, of which Germany: 816; France: 727; Spain: 818; Poland: 820).

Source: Oxera analysis.

Also, many consumers share self-created material or content in general via entertainment platforms, with between 28% (Poland) and 39% of respondents (Spain) reporting that they do either of these activities. The proportion who use entertainment platforms to listen to music across countries is less than 30%. German and French respondents use these platforms much more (30% and 28%, respectively) than their Spanish and Polish counterparts (both 19%).

A1.2.3 Use of online marketplaces

More than half of consumers who use online marketplaces buy products or services on them (Figure A1.8). These results vary little across countries, with 52% of respondents (Spain) to 56% (France) using online market places to buy products or services. Between 47% (Spain) and 50% Germany use online marketplaces to search for products and services. Over a quarter of people across all countries use online marketplaces to sell products or services.

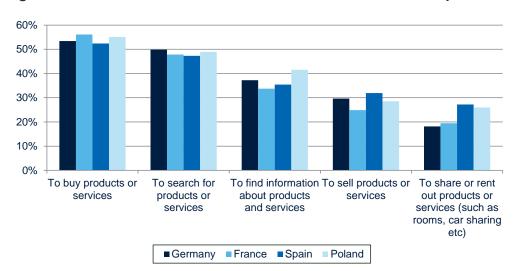


Figure A1.8 Activities for which consumers use online marketplaces

Question: Why do you use these websites/apps? Base: Respondents who use online marketplaces (3,039, of which Germany: 748; France: 775; Spain: 736; Poland: 780).

Source: Oxera analysis.

The largest proportion of buyers buy online 2–3 times a month. 39% of online marketplace users buy products and services online at least once a week in Spain compared with 33% in France and Poland and 28% in Germany

The survey shows that many consumers use online marketplaces to buy clothes and accessories (50% in Spain to 77% in Poland), technology and electronics (44% in France to 64% in Spain and Poland) and books (43% in Spain to 59% in Germany). Goods and services that are bought less frequently include travel, leisure activities and entertainment goods, transport vehicles, and food and drink.

Although selling products and services is a less popular activity than buying online, still over a quarter of online marketplace users do so. (25% of respondents in France, 29% in Poland, 30% in Germany and 32% in Spain.) The items most often sold through online platforms are second-hand goods (71% in Spain to 84% in Germany). Between 19% of online marketplace users (France) and 35% (Poland) sell new products or services.

The share of respondents who use online marketplaces to participate in the collaborative or sharing economy varies across countries. Sharing or renting

out products or services is most popular in Spain (27%) followed by 20% in France, 19% in Poland and 9% in Germany.

A1.2.4 Use of comparison websites

On average more than half of the consumers who use comparison platforms do so to find information and search for products and services (Figure A1.9). Other significant activities include reading reviews (between 35% in Spain and 39% in Poland and France) and finding out about new products and services (between 33% in France and 41% in Germany). Some consumers also contribute reviews to comparison platforms. Writing reviews is most popular in Poland (23%), followed by Spain (21%), Germany (18%), and France (16%).

60% 50% 40% 30% 20% 10% 0% To find To search for To find out about To write reviews To read reviews information about products or of products or new products or for products or services services services services or compare products or services France Poland ■ Germany Spain

Figure A1.9 Activities for which consumers use comparison platforms

Question: Why do you use these websites/apps? Base: Respondents who use comparison platforms (2,958, of which Germany: 756; France: 566; Spain: 816; Poland: 820).

Source: Oxera analysis.

Many consumers compare travel goods such as hotels, flights or train tickets (34% in Poland to 74% in Spain), technology and electronics (28% in Spain to 69% in Poland), and clothes and accessories (24% in Spain to 56% in Poland). There are also some country-specific preferences: for example, 49% of Polish respondents said that they compared home furnishings, and 42% of Spanish respondents compare places to eat and drink.

A1.2.5 Use of information platforms

Most consumers use information platforms to search for employment opportunities (see Figure A1.10), with results ranging from 24% of the respondents in Germany and France to 33% in Poland.

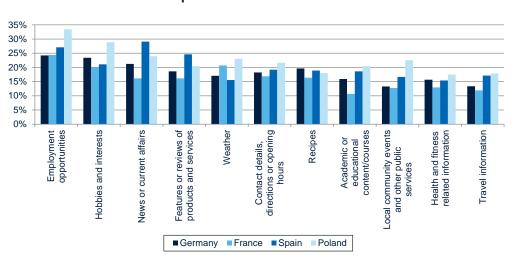


Figure A1.10 Types of information that consumers look up on information platforms

Question: Why do you use these websites/apps? Base: Respondents who answered questions about information platforms (3,300, of which Germany: 816; France: 847; Spain: 816; Poland: 821).

Source: Oxera analysis.

Hobbies and interests and news or current affairs are the types of information next most popularly searched for. The highest proportion of users look for information on hobbies and interests in Poland (29%), followed by Germany (23%), Spain (21%) and France (20%). Searching for news or current affairs is most popular in Spain, (29% of respondents), followed by Poland (24%), Germany (21%) and France (16%).

Users also seek features or reviews of products and services, weather forecasts, contact details, directions and opening hours, and recipes. Platform usage to search for information about these varies more across countries. Between 11% (France) and 20% (Poland) of respondents use information platforms for academic or education purposes.

A2 Consumer platform choice and multi-homing

In this appendix, we describe the purposes for which consumers use one (single-homing) or more websites/apps (multi-homing) to undertake the same task. To identify whether consumers single- or multi-home with regard to platform types or tasks, the survey contains empirical evidence on how many platforms consumers use, in two ways:

- · for each platform type; and
- for specific tasks.

After analysing which consumers use one or more platforms for specific tasks, the survey asked respondents to provide information on why they single- or multi-home. This allows us to understand whether consumers feel 'locked in' to specific platforms or actively choose which platforms to use.

The analysis is conservative as the survey design and the list of platforms provided are likely to have limited the extent to which respondents thought of all the other platforms, non-platform websites/apps, or even offline alternatives they might use. To mitigate this effect, we asked respondents to think of and include other websites/apps they use to perform specific tasks.

However, as the survey also asked respondents about the benefits of platforms, not the Internet in general, we narrowed the scope of these questions to cover key tasks rather than all tasks that could have been relevant for multi-homing. By potentially failing to consider all relevant platforms, other websites/apps or even offline alternatives, the single-homing group may be bigger than if all relevant alternatives had been included.

A2.1 Multi-homing within platform types

The survey data demonstrates that a large majority of consumers use multiple platforms to complete specific tasks online. The average number of platforms by platform type is between two and three for most countries and types (Figure A2.1). Notable exceptions include platforms used for communication in Spain, with an average of 3.5, and platforms used to compare products and services in France, with an average of 1.4. Of the remaining platform types, respondents tend to use more platforms for entertainment and information search purposes than when they use online marketplaces.

Communication Entertainment Buy, sell, share Comparison Information

Germany France Spain Poland

Figure A2.1 Mean number of platforms used within the past month

Question: Which of the following websites/apps have you used in the past month to (platform type activity)? Base: Total survey respondents (6,010).

Source: Oxera analysis.

Multi-homing is also evident if we compare the share of respondents who use one or multiple platforms within each type (Figure A2.2).

The share of respondents who use one platform per type is between 15% and 35%, with a higher average in France (28%) than in Germany/Poland (both 24%) and Spain (21%). The average share of single-homing consumers across types ranges from 19% for entertainment to 32% for comparison.

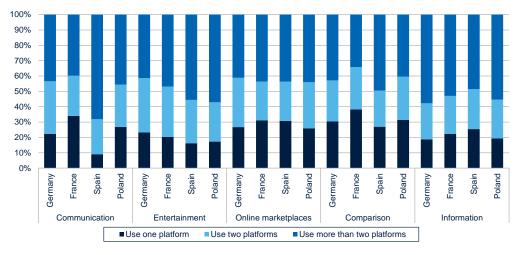


Figure A2.2 Multi-homing per platform type

Question: Which of the following websites/apps have you used in the past month to (platform type activity)? Base: Total survey respondents (6,010).

Source: Oxera analysis.

While the majority of consumers use more than two platforms to look up information, they often stick to a preferred platform for specific types of information. Between 15% of consumers in France and 32% in Germany use multiple platforms to look up information relating to their hobbies and interests. A slightly lower degree of multi-homing is observed for health and fitness-

related information and academic or educational content/courses. Over 80% of consumers use one platform to look up recipes and weather information.

These results suggest that consumers often use different platforms for different types of information, but for some types of information they are likely to have a preference for a specific platform. This could be explained by the fact that, unlike online marketplaces or social networks, the platforms specialising in providing a specific type of information are likely to be more similar. For example, the reasons for using multiple websites to find out about the weather or obtain contact details are unclear (except that conflicting information could lead to confusion). In contrast, different sellers on different marketplaces or different groups of people on different social networks (e.g. regionally focused versus international) may be a clearer reason for multi-homing.

A2.2 Multi-homing for selected tasks

This sub-section looks in greater depth at multi-homing behaviour by considering specific tasks that consumers can perform on different types of platform. For example, consumers may use two online marketplaces, but only buy on one and sell on the other. In this case, the consumers would be multi-homing with regard to the type of platform, but not with regard to the specific task.

To identify task-specific multi-homing, one task from each platform type was selected (generally the task consumers were most likely to undertake)—and the scope of applicable platforms was narrowed, if required.

The key tasks selected were:

- to communicate and stay in touch with friends, family and others;
- to browse posts, videos and photos;
- to buy products from 'general' marketplaces (those offering non-specialist products);
- to find information about and compare products and services from platforms with travel products.¹

In addition to the platforms that respondents selected from the list defined in the survey, consumers were asked to name other websites/apps they use for the specific task, if any. Narrowing the multi-homing to tasks and including other websites/apps (which may or may not be platforms²) means that this approach provides a more precise picture of the number of platforms and other websites/apps that consumers use interchangeably to complete the task in question.

For the information platform type, we determine multi-homing with regard to a range of types of information that users look up, such as hobbies and interests or weather. Capturing a range, however, meant that consumers were not

¹ To be eligible for this task, consumers also had to select 'Travel' as one of the products they compare on platforms.

² A manual review of the entries suggested that the large majority of entries by consumers were platforms within the definition underlying the platform lists; however, some of them (e.g. Zalando) would potentially fall into a wider definition of platforms and only a few (e.g. H&M) were not platforms at all. We tested whether the results were affected by using a narrower or wider definition of platforms, but the results did not change materially.

asked to add other websites/apps they use for each type of information, which could lead to an underestimation of multi-homing.

Figure A2.3 shows that almost two-thirds of consumers use two or more websites/apps for the four tasks listed above across the countries surveyed.

For browsing posts, videos and photos and buying from 'general' platforms, the share of single-homing users is generally between 30% and 40% across countries, with a similar share using more than two websites/apps. Consumers in Spain are less likely to use only one platform to compare travel products (26%). This compares with their German and Polish (both 36%) and French (33%) counterparts.

The number of people multi-homing varies most across countries for those who use online platforms to communicate and stay in touch. The share of single-homing users who undertake this task ranges from 30% in Spain to 55% in France.

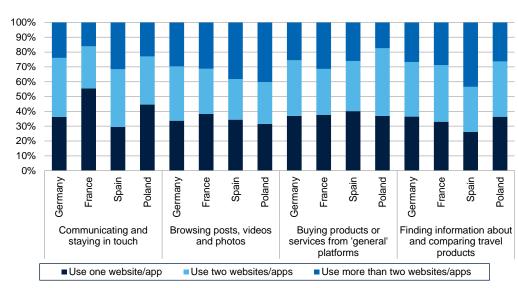


Figure A2.3 Multi-homing with regard to selected tasks

Question: Which of the following websites/apps have you used in the past month to (specific task)? Base: Respondents who stated that they perform tasks of each type (11,368, of which Germany: 2,913; France: 2,640; Spain: 3,353; Poland: 2,462).

Source: Oxera analysis.

A2.3 Willingness to try new platforms

So far we have considered that consumers multi-home by using multiple platforms at one specific point in time. However, any potential lock-in concerns may also be mitigated if consumers are able to consider switching to alternative platforms (on which they may also single-home) at some other point in time. In order to assess consumers' awareness of alternative platforms and their propensity to switch, the survey respondents were asked about the extent to which they use familiar and new websites/apps.

About half of consumers prefer to use familiar websites/apps. In Germany, France and Spain, between 34% and 44% of respondents said that they used at least five to six new websites/apps in the past month, as shown in Figure A2.4. For Poland, this figure is higher, at 59%, implying that the majority of Internet users try out new websites/apps on a regular basis.

60%
50%
40%
30%
20%
10%
Many new websites/apps Familar websites/apps Don't know websites/apps

Germany France Spain Poland

Figure A2.4 Use of new websites/apps by consumers in the last month

Question: In the past month when you used websites/apps on any type of device, would you say that you used... Base: Total survey respondents (6,010).

Source: Oxera analysis.

A2.4 Reasons to single- and multi-home

The survey asked consumers about why they single- and multi-home, for each of the specific tasks considered in section A2.2.

Across platform types, the responses indicate that consumers who singlehome often do so because they consider their chosen platform to be most appropriate and/or do not want to use multiple platforms.

The reasons cited for using only one platform for a specific task follow similar patterns across countries, see Figure A2.5. Between 38% (France) and 48% (Poland) of respondents report that they consider the platform to be most appropriate, while between 16% (France) and 24% (Poland) indicate that limited differentiation between platforms makes it unnecessary for them to use multiple platforms. The platforms that friends and family use also play a role, indicating the strength of direct network effects, and are cited by between 33% (Germany) and 38% (Poland) of consumers. Between 11% (Germany) and 20% (Spain) choose one platform over others because of familiarity and ease of use.

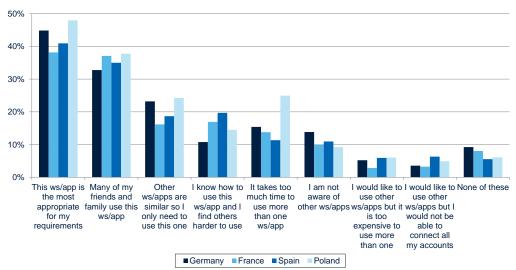
Relatively few consumers cite time, cost, lack of awareness or incompatibility as reasons to single-home; each option is generally chosen by no more than 15% of respondents. A notable exception is time in Poland, where 25% of the respondents consider these factors to be a constraint on using more than one website or app.

The share of consumers who do not cite any of these four reasons is highest in Spain at 73%, followed by 72% in France, 68% in Germany and 61% in Poland. This suggests that, even with more time, at lower prices, with higher awareness of alternatives and increased compatibility across platforms, a large majority of consumers who single-home would continue to do so.

Consumers were also asked why they used multiple platforms to communicate and stay in touch with contacts. Many respondents cite multiple reasons; between 70% (France) and 79% (Poland) of consumers said that they perceive no barriers to using multiple websites/apps in terms of at least one of the four factors: time, cost, ease of use and compatibility.

As for the reasons to single-home, the responses exhibit limited variation across countries. For the majority of respondents, one website or app is used because it is the most appropriate for their requirements. Exceptions include 24% of Polish multi-homing consumers who state that they use websites/apps for different things, compared with between 43% (France) and 49% (Germany) for the other countries. While 50% of Polish respondents cite the platform choices of their friends and family as a reason to multi-home, 34% to 39% in France, Germany and Spain did so, indicating that network effects can also incentivise the use of multiple platforms (see Figure A2.6).

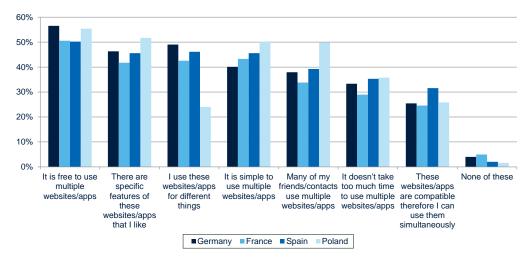
Figure A2.5 Reasons for single-homing across selected tasks



Question: You indicated that you only use (applicable website/app) to (task). Why do you use this particular website/app? Base: Respondents who indicated that they single-home with regard to the tasks considered (3,378, of which Germany: 845; France: 922; Spain: 777; Poland: 834).

Source: Oxera analysis.

Figure A2.6 Reasons for multi-homing across selected tasks



Question: You indicated that you only use these websites (list below question) to (task). Why do you use multiple websites/apps to do this? Base: Respondents who indicated that they multi-home with regard to the tasks considered (5,898, of which Germany: 1,552; France: 1,246; Spain: 1,672; Poland: 1428).

Source: Oxera analysis.

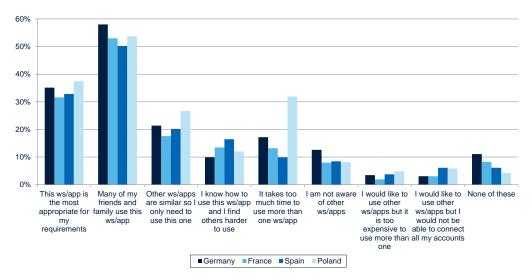
To communicate and stay in touch with friends, family and others

The shares users who single-home to communicate and stay in touch range from 30% in Spain to 55% in France, as shown in Figure A2.7. The reasons for both single- and multi-homing are broadly similar to those for other platform types and do not vary significantly across countries, see Figure A2.8.

As might be expected, one reason that consumers cite more often in the context of communications platforms than for other platforms is that the platform choice of their friends and contacts is an important factor, indicating stronger network effects than for other platforms. This effect applies to both single- and multi-homing choices: the platform choice of friends and contacts influences the choice of platform for between 50% (Spain) and 58% (Germany) single-homing consumers, but also that for between 49% (France) and 68% (Poland) multi-homing consumers.

As with the other tasks, time, cost, lack of awareness or incompatibility are not frequently cited reasons for single-homing. The share of consumers who do perceive any of these four potential barriers to multi-homing to be relevant ranged from 77% of Spanish to 56% of Polish consumers. Similarly, between 67% (Spain) and 75% (Poland) of multi-homing consumers indicated that they do so because of at least one of the time or cost required to multi-home, ease of use or compatibility.

Figure A2.7 Reasons for single-homing to communicate and stay in touch



Question: You indicated that you only use (website/app) to communicate and stay in touch with my friends, family and others. Why do you use this particular website/app? Base: Respondents who indicated that they single-home to communicate and stay in touch (1,146, of which Germany: 262; France: 364; Spain: 213; Poland: 307).

Source: Oxera analysis.

70% 60% 50% 40% 30% 20% 10% It is free to use There are Luse these It is simple to Many of my It doesn't take I can connect None of these specific features websites/apps use multiple friends/contacts too much time multiple multiple for different websites/apps of these websites/apps use multiple to use multiple accounts and websites/apps things use these websites/apps websites/apps that I like websites/apps simultaneously ■Germany ■France ■Spain ■Poland

Figure A2.8 Reasons for multi-homing to communicate and stay in touch

Question: You indicated that you only use these websites (list below question) to communicate and stay in touch with friends, family and others. Why do you use multiple websites/apps to do this? Base: Respondents who indicated that they multi-home to communicate and stay in touch (1,680, of which Germany: 472; France: 294; Spain: 526; Poland: 388).

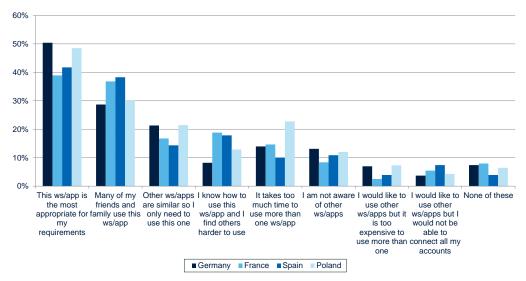
Source: Oxera analysis.

To browse posts, videos and photos

Between 32% (Poland) and 38% (France) use one platform to browse entertainment content, while the remainder use two or more platforms (see Figure A2.9 and Figure A2.10). The reasons consumers give for using one or multiple entertainment platform(s) are largely similar to those of other types (and). Appropriateness and platform choices of the friends, family and other contacts are the most frequent reasons for single-homing. These strong network effects may be explained by the fact that consumers may often browse the content of contacts on social networks.

Most consumers do not perceive significant constraints to multi-homing: between 74% (Spain) and 61% (Poland) of single-homing consumers do not cite any of time, cost, awareness or compatibility as preventing them from using multiple platforms. Many multi-homing consumers share a similar view and cite the absence of multiple constraints as reasons to multi-home. Between 74% (Spain) and 84% (Poland) cite the absence of at least one of time, cost, ease of use or compatibility constraints as a reason to multi-home.

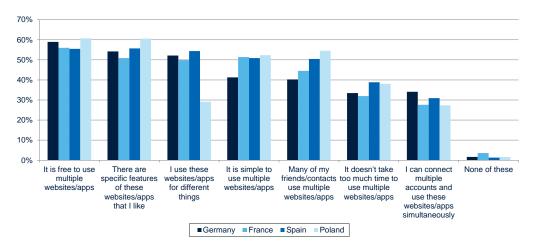
Figure A2.9 Reasons for single-homing to browse posts, videos and photos



Question: You indicated that you only use (website/app) to browse posts, videos and photos. Why do you use this particular website/app? Base: Respondents who indicated that they single-home to browse posts, videos and photos (946, of which Germany: 244; France: 239; Spain: 230; Poland: 233).

Source: Oxera analysis.

Figure A2.10 Reasons for multi-homing to browse posts, videos and photos



Question: You indicated that you use these websites to browse posts, videos and photos. Why do you use multiple websites/apps to do this? Base: Respondents who indicated that they multi-home to browse posts, videos and photos (1,846, of which Germany: 487; France: 391; Spain: 456; Poland: 512).

Source: Oxera analysis.

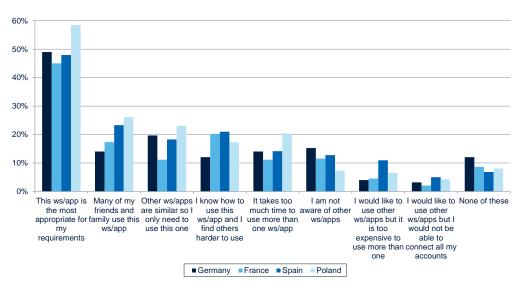
To buy products from 'general' marketplaces

Between 37% (Germany and Poland) and 40% (Spain) of respondents single-home to buy products from 'general' marketing places (Figure A2.11). Compared with the other activities analysed, the highest share of single-homing consumers consider the platform to be most appropriate (between 45% in France and 58% in Poland).

Network effects are of low importance to both single- and multi-homing consumers (Figure A2.11 and Figure A2.12). Between half (54% in Germany and France) and two-thirds (66% in Spain) of multi-homing consumers refer to an increase in choice and variety available,³ making this the most frequent reason given for multi-homing.

In terms of constraints to multi-homing, between 73% (France) and 67% (Spain and Poland) of single-homing consumers do not find that any of time, cost, awareness or compatibility prevent them from multi-homing. Similarly, between 65% (Spain) and 77% (Poland) of multi-homing consumers say they do so because there are no barriers in terms of time, cost, ease of use or compatibility.

Figure A2.11 Reasons for single-homing to buy products from 'general' platforms



Question: You indicated that you only use (website/app) to buy products. Why do you use this particular website/app?

Base: Respondents who indicated that they single-home to buy products from 'general' platforms (970, of which Germany: 249; France: 242; Spain: 219; Poland: 260).

Source: Oxera analysis.

atatam ant was

³ This statement was available for this platform type only as it was considered less applicable to the others.

70% 60% 40% 30% 20% 10% There are Many of my It doesn't take These Using multiple None of these It is free to use I use these It is simple to multiple specific websites/apps use multiple friends/contacts too much time websites/apps features of these for different use multiple to use multiple are compatible websites/apps websites/apps therefore I can websites/apps things choice and websites/apps use them that I like simultaneously available to me ■Germany ■France ■Spain ■Poland

Figure A2.12 Reasons for multi-homing to buy products from 'general' platforms

Question: You indicated that you use these websites/apps to buy products. Why do you use multiple websites/apps to do this? Base: Respondents who indicated that they multi-home to buy products form 'general' platforms (1,647, of which Germany: 428; France: 402; Spain: 354; Poland: 463).

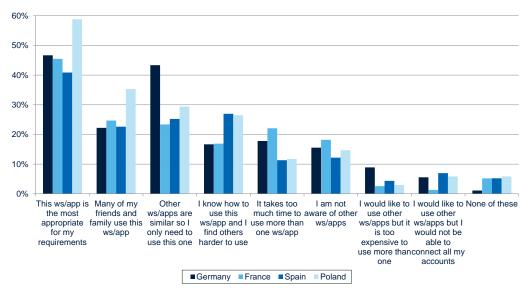
Source: Oxera analysis.

To find information about and compare travel products

Multi-homing is most common to find information about and compare travel products; between 26% (Spain) and 36% (both Germany and Poland) of users of travel comparison platforms single-home (Figure A2.13). The results are very similar to those of buying products from 'general' marketplaces; however, two results from Germany stand out: a high proportion (43%) of single-homing consumers use one platform because they find comparison sites similar; while 71% of German multi-homing consumers emphasise that it is free to use multiple platforms (Figure A2.14).

The consumer view on constraints is also similar and varies across countries only to a limited extent. Around two-thirds of consumers who single-home (between 61% in Germany and France and 70% in Spain) do not multi-home due to time, cost, awareness or compatibility constraints. An even higher proportion of multi-homing consumers (between 79% in Spain and 88% in Poland) find that the absence of at least one of time, cost, ease of use or compatibility constraints drives their multi-homing behaviour.

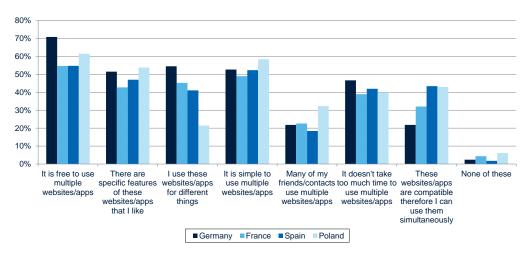
Figure A2.13 Reasons for single-homing to find information about and compare travel products



Question: You indicated that you only use (website/app) to find information about or compare prices and other features of travel products or services. Why do you use this website/app? Base: Respondents who indicated that they single-home to find information about and compare travel products (725, of which Germany: 165; France: 159; Spain: 336; Poland: 65).

Source: Oxera analysis.

Figure A2.14 Reasons for multi-homing to find information about and compare travel products



Question: You indicated that you use these websites to find information about or compare prices and other features of products or services. Why do you use multiple websites/apps to do this? Base: Respondents who indicated that they multi-home to find information about and compare travel products (316, of which Germany: 90; France: 77; Spain: 115; Poland: 34).

Source: Oxera analysis.

A3 Consumer perceptions of the impacts of using online platforms

This appendix considers the perceived impact of online platforms on consumers. Analysis is presented at an aggregate level and then for different types of platforms.

We test the effects of platforms as predicted by economic theory, such as high transparency and lower prices. In order to assess the consumer perceptions of these effects, we asked them to indicate their degree of agreement with a number of questions about the effects of platforms. The survey included specific questions to quantify benefits, such as time or money saved through the use of certain online platforms.

As in previous appendices, we consider this analysis to be conservative given that the definition underlying the platform lists included in the survey is narrow. This means that the analysis does not cover any benefits (or concerns) relating to platforms that are covered by a wider definition.

A3.1 Aggregate benefits across platform types

The survey data shows that 97% of respondents agree that online platforms have at least one positive effect (Figure A3.1). This is consistent across the four countries surveyed: 98% of respondents in Poland, 97% in Spain and Germany, and 96% in France assert that they perceive at least one benefit from online platforms.

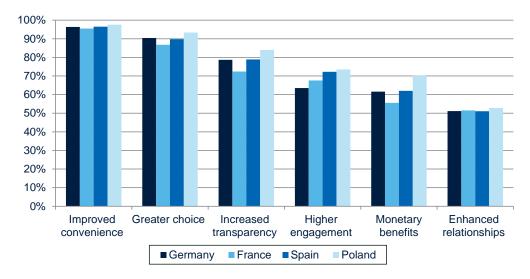


Figure A3.1 Consumer benefits of online platforms

Question: Thinking about the websites/apps shown below (list below consisting of platforms selected previously), to what extent do you agree or disagree with each of the following statements? Base: Total survey respondents (6,010).

Source: Oxera analysis.

Over 60% of those surveyed who perceive benefits strongly agree with the statements (Figure A3.2).

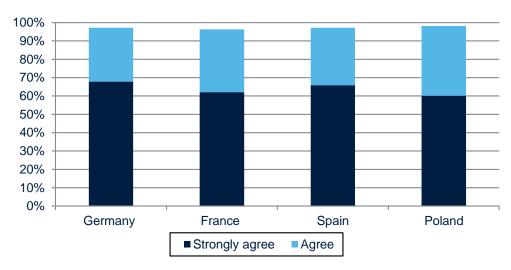


Figure A3.2 Strength of consumer perceptions of benefits

Question: Thinking about the websites/apps shown below (list below consisting of platforms selected previously), to what extent do you agree or disagree with each of the following statements? Base: Total survey respondents (6,010).

Source: Oxera analysis.

Convenience of transaction is the benefit cited most often. 95% (France) to 98% (Poland) of people who use online platforms think that the platforms make processes simple and transactions can occur quickly or flexibly (e.g. at any time, or on the go). Of these responses, more than half strongly agree with the statements. Comparison websites saved consumers between eight minutes (France and Spain) and 15 minutes (Poland) in the past month (median). Over the same period, information platforms saved consumers between 50 minutes (France and Germany) and 100 minutes (Poland).

Of all the platform users surveyed, 87% (France) to 93% (Poland) think that there is a **greater choice and variety** of products, services and content available to them. Of these, between 44% (Poland) and 51% (Germany) strongly agree with the statements.

In France 72% and in Poland 84% think there are **transparency benefits**. For example, they perceive that online platforms allow consumers to access more information so that they are better informed about or can more easily find the product, service or content they are looking for.

Of the respondents, 63% in Germany to 74% in Poland cite being able to keep up to date with **events and current affairs**, or being easily able to **engage in discussions** as impacts of using certain types of platform.

Some respondents consider that online platforms have monetary benefits; for example, that they led to **lower prices or additional opportunities to earn money** (from selling items). The share of consumers who perceive these benefits ranges from 56% in France to 70% in Poland. 66% (France) to 88% (Poland) of consumers are likely to find cheaper products through a comparison website. 22% (Germany) to 68% (Poland) of comparison website users saved up to €50 in the last year. The average (median) saved from a comparison platform ranges between €12 in Poland and €117 in Germany.

On average, 52% of respondents think that online platforms provide them with the means to **communicate and stay in touch** with their existing contacts, as well as **to meet and get to know new people**. The average (mean) number of

people whom individuals are connected to ranges between 81 in France and 156 in Germany. The majority of communications platform users are connected with 1–50 people through these platforms. 8% (France) to 24% (Germany) have over 200 connections. 48% (France) to 68% (Poland) have at least one contact with whom they actively interact on these websites or apps. The average number of people with whom respondents interact ranges from 10 (France) to 25 (Spain).

32% (France) to 57% (Poland) of communications platform users have met at least one person that they first interacted with online. Respondents have met in person on average one (France) to five people (Poland) in person with whom they initially interacted with online.

There is a positive correlation in the perceptions of benefits—consumers who perceive one benefit from online platforms were also more likely to perceive others benefits. Specifically, consumers who find that online platforms improve access to information or products, services and content also perceive a benefit from lower prices, which might demonstrate the effects of increased competition. Increased transparency is likely to be perceived by respondents who also think that online platforms increase choice.⁴

A3.2 Concerns

Our analysis shows that 83% of respondents in Poland, 84% in Germany, 87% in France and 89% in Spain raise at least one concern about online platforms. However, the strength of these concerns is lower than the strength of support for the benefits. Less than half of respondents who express concerns feel that these are strong concerns. This is highest in Spain at 49% followed by 47% in France, 40% in Germany and 33% in Poland (Figure A3.3).

⁴ The correlation coefficient between variables that encompass respondents who selected 'agree' or 'strongly agree' for choice and convenience statements is 0.5. The equivalent correlation coefficients are 0.52 for transparency and monetary benefits and 0.45 for transparency and choice. Correlation coefficients take a value between 0 and 1; higher correlation coefficients indicate higher correlation.

100% 90% 80% 70% 60% 50% 40% 30% 20% 10% 0% Germany France Spain Poland ■ Strongly agree Agree

Figure A3.3 Consumer concerns by strength of agreement

Question: Thinking about the websites/apps shown below (list below consisting of platforms selected previously), to what extent do you agree or disagree with each of the following statements? Base: Total survey respondents (6,010).

Source: Oxera analysis.

Consumers in Poland are consistently less concerned when using online platforms than the average, and Spain consistently more. This is the case across the different types of online platform covered in the survey.

Content concerns are the greatest across platform types: 68% (Poland and Germany), 76% (France) and 77% (Spain) of respondents are worried about confusing, inappropriate, offensive or untrustworthy material. Of these, only 26% in Poland to 37% in Spain are strongly concerned (Figure A3.4). In relation to data privacy and security, 47% (Poland), 54% (Germany), 56% (France) and 65% (Spain) express concern; and 23% (Poland), 24% (Germany), 31% (France) and 33% (Spain) are concerned about online abuse or harassment.

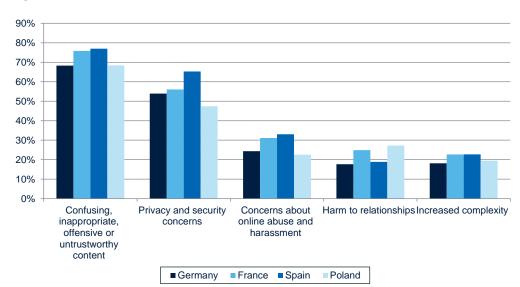


Figure A3.4 Consumer concerns about online platforms

Question: Thinking about the websites/apps shown below (list below consisting of platforms selected previously), to what extent do you agree or disagree with each of the following statements? Base: Total survey respondents (6,010).

Source: Oxera analysis.

The survey data shows that consumers do not consider these worries as being isolated from each other. Individuals who express a concern relating to privacy and security are also likely to express a concern about online abuse. Furthermore, in some cases their concerns are common across platforms used to complete different tasks. For example, people who express privacy and security concerns when using platforms to communicate and stay in touch with contacts are also more likely to express the same concerns when using platforms to access entertainment content or to buy through an online marketplace.⁵

We asked consumers who never use particular types of online platform what was preventing them from doing so, to understand whether they had underlying concerns and, if so, what these were.

The primary reason cited for not using a platform is purely functional: 49% (Spain) to 61% (Germany) of respondents do not use specific types of online platforms because they do not need them. 21% (France) to 30% (Poland) of respondents said they do not use a platform because there are better alternatives.

Fewer people specify concerns as reasons not to use platforms: 15% (Poland) to 20% (Spain) say that these prohibitive concerns are about their data privacy and security. This compares with 11% (Germany) to 19% (Poland) who say it is because they are wary of irrelevant, inappropriate or offensive content (Figure A3.5).

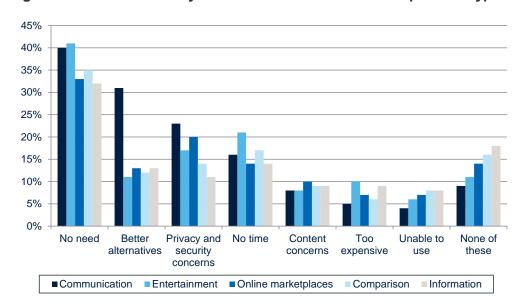


Figure A3.5 Reasons why consumers do not use certain platform types

Question: You indicated that you have not used any websites/apps to (undertake task). Why do you not use these websites/apps? Base: Respondents who do not use at least one platform type (3,658, of which Germany: 876; France: 1,073; Spain: 860; Poland: 849).

Source: Oxera analysis.

⁵ The correlation coefficient between variables that encompass respondents who selected 'agree' or 'strongly agree' with statements about privacy and online abuse is 0.41. Equivalent correlation coefficients for privacy and security concerns across types range from 0.43 to 0.54.

A3.3 Consumer perceptions of effects by platform type

A3.3.1 Communications platforms

Benefits

Many consumers referred to positive impacts from their use of online communications platforms.

Improved convenience is the most significant benefit: 91% (Germany) to 97% (Poland) of users of these platforms think that communication and meeting people is easier as a result of online platforms. For example, between 85% (Germany) and 91% (Poland) of respondents think that communications platforms make it easy to stay in touch with contacts, 84% (France) to 91% (Poland) think they make it easy to communicate at any time, and 75% (France) to 90% (Spain) think communications platforms make it easy to communicate on the go. Between 78% (France) and 86% (Spain and Poland) think that communications platforms make it easy to share views with contacts.

89% (France) to 95% (Poland) of users think that these online platforms improve their interactions with contacts and/or provide them with a channel to meet new people. On average users are connected to between 81 people (France) and 156 people (Germany). The majority of users are connected with 1–50 people through these platforms (33% in Germany, 53% in Spain, 57% in France and 61% in Poland). 8% (France) to 24% (Germany) have over 200 connections (Figure A3.6).

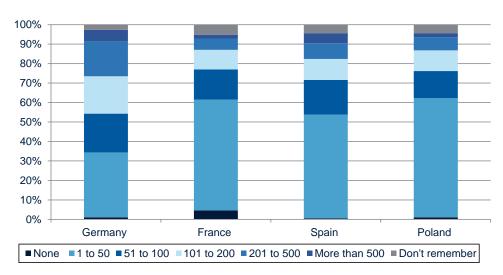


Figure A3.6 Number of connections

Question: Thinking about the social media websites/apps that you use, how many people are you connected to? Base: Respondents who use communications platforms (3,291).

Source: Oxera analysis.

In France 48% to 68% in Poland have at least one contact with whom they actively interact on these websites or apps. The median number of people who consumers interact with is 10 in France, 15 in Poland and Germany and 25 in Spain.

In Germany 46% to 64% in Poland of communications platform users are able to **communicate with people they would not have met** otherwise. 2% (Germany) to 72% (Poland) say that these platforms make it easy to find and start a new relationship.

In France 32% to 57% in Poland of communications platform users have met in person at least one person that they first interacted with online. Respondents have met in person on average⁶ one (France) to five people (Poland) with whom they initially interacted online.

Another positive impact of communications platforms that consumers perceive is greater social engagement. 84% (Germany) to 92% (Poland) of users think platforms make it easy to engage in discussions and keep up to date with events and current affairs (Figure A3.7).

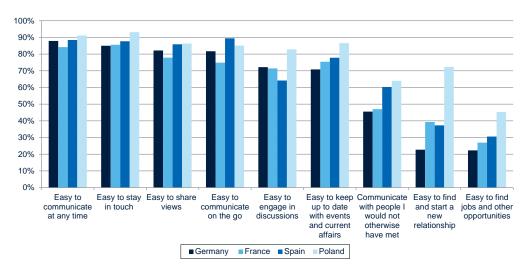


Figure A3.7 Consumer benefits from communications platforms

Question: Thinking about the websites/apps that you use to communicate and stay in touch with friends, family and others, or meet and get to know people, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use communications platforms (3,291).

Source: Oxera analysis.

The proportion of consumers who strongly agree with the statements varies across countries: 25% of users in Poland strongly agree that communications platforms make it easy to communicate on the go, while 39% do so in Spain. The data also shows a correlation between consumers' perceptions of different benefits that is consistent across countries. For example, consumers who find that platforms enhance relationships also find that these platforms encourage higher engagement.⁷

Overall, a higher proportion of users of communications platforms in Poland agree with benefits than in other countries: 93% agree that online platforms make it easy to stay in touch with contacts and 91% say that they make it easy to communicate at any time compared with an average of 88% across countries for both. However, the proportion of these who strongly agree with many of the statements was lower in Poland compared with the other countries.

Concerns

The data also shows that users have some concerns when they use communications platforms. The number of people with concerns varies across countries; in general, respondents in Poland and Germany express fewer concerns than those in France and Spain. People who express one of the

⁷ The correlation coefficient between variables encompassing respondents who select 'agree' or 'strongly agree' to statements about relationships and engagement is 0.477.

concerns were also more likely to have express one or more of the other concerns.8

50% (Poland) to 69% (Spain) are concerned about **data privacy and security**, of which 23% (Poland) to 41% (Spain) are strongly concerned. Furthermore, 41% (Poland) to 62% (Spain) are concerned about **online abuse and harassment**. 40% (Poland) to 62% (Spain) are concerned about **inaccurate information or inappropriate content** (Figure A3.8).

70% 60% 50% 40% 30% 20% 10% 0% Data privacy and Online abuse and Hard to maintain Inaccurate or security harassment inappropriate relationships content Poland Germany France Spain

Figure A3.8 Consumer concerns about communications platforms

Question: Thinking about the websites/apps that you use to communicate and stay in touch with friends, family and others, or meet and get to know people, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use communications platforms (3,291).

Source: Oxera analysis.

Only 18% of consumers in Poland to 23% in France do not use communications platforms; the main reason being that that they do not need them (34% of respondents in Spain and Poland to 46% in Germany). Other reasons include that there are better alternatives offline (25% in Spain to 37% in Poland) and privacy and security concerns (21% in Poland to 26% in Spain) (Figure A3.9).

⁸ The correlation coefficient between variables encompassing respondents who select 'agree' or 'strongly agree' to statements about privacy, abuse and content is in the range 0.47–0.48.

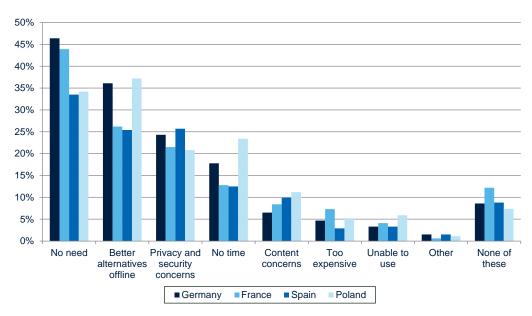


Figure A3.9 Reasons why people do not use communications platforms

Question: You indicated that you have not used any websites/apps to communicate and stay in touch with friends, family and others, or meet and get to know people. Why not? Please select all that apply. Base: Respondents who do not use communications platforms (1,223, of which Germany 338; France: 344; Spain: 272; Poland: 269).

Source: Oxera analysis.

A3.3.2 Entertainment platforms

Benefits

Many consumers who use entertainment platforms agree that they provide benefits, with a large proportion responding 'strongly agree' to these statements. 94% of users (France) to 96% (Poland and Germany) find that these online platforms make **access more convenient**. For example, 86% (France and Germany) to 88% (Poland and Spain) say that they can access content at any time, of which 33% (Poland) to 45% (France and Spain) strongly agree with the statement. Between 79% (Germany) and 88% (Poland) can access content instantly. Finally, 76% (Germany) to 88% (Spain) find that they can access content on the go.

88% of respondents in France, 93% in Spain and Germany and 94% in Poland agree that entertainment platforms **increase choice**. 85% (France) to 90% (Poland) benefit from the wide variety of music, videos or photos available, and 81% (Germany) to 91% (Poland) are able to find content that is relevant and interesting to them (Figure A3.10).

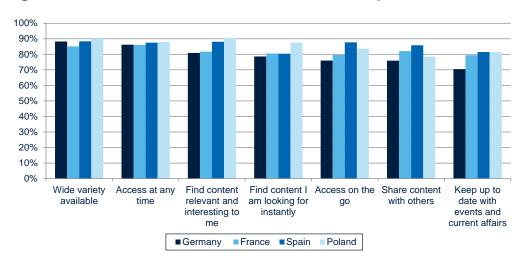


Figure A3.10 Consumer benefits from entertainment platforms

Question: Thinking about the websites/apps you use to access and share music, videos, and photos, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use entertainment platforms (3,181).

Source: Oxera analysis.

Responses are mostly consistent across countries; consumers in Poland were more likely to perceive benefits than others. Perceptions of benefits are also correlated; for example, respondents who think entertainment platforms make access more convenient are also likely to think that they increase choice.⁹

Concerns

The survey data shows that respondents also have some concerns. Users in Spain were most likely to report concerns and users in Poland were least likely to do so, with 67% of respondents in Spain citing privacy and security issues and 50% citing issues with content (see Figure A3.11). This compares with 41% and 30% of respondents in Poland. Respondents who cite either of these issues are also likely to cite the other concern.¹⁰

⁹ Correlation coefficient of 0.58.

¹⁰ Correlation coefficient of 0.45.

80% 70% 60% 50% 40% 30% 20% 10% 0% Privacy and security Offensive or concerns inappropriate content Germany France Spain Poland

Figure A3.11 Consumer concerns about entertainment platforms

Question: Thinking about the websites/apps you use to access and share music, videos, and photos, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use entertainment platforms (3,181).

Source: Oxera analysis.

29% of respondents in Spain to 50% in France do not use entertainment platforms; the main reasons being that they do not need them (32% in Poland, 35% in Spain, 44% in France and 52% in Germany); do not have time to use them (16% in Germany, 18% in France, 22% in Spain and 28% in Poland); and/or have concerns about data privacy and security (15% in France, 17% in Poland, 18% in Germany and 19% in Spain) (Figure A3.12).

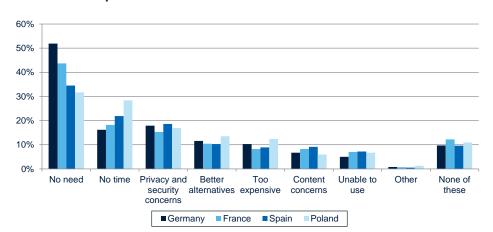


Figure A3.12 Reasons why consumers do not use entertainment platforms

Question: You indicated that you have not used any websites/apps to access or share content such as music, videos or photos. Why do you not use these websites/apps? Base: Respondents who do not use entertainment platforms (2,157, of which Germany: 524; France: 753; Spain: 429; Poland: 451).

Source: Oxera analysis.

A3.3.3 Online marketplaces

Benefits

Many users cite one or more positive effects from using online marketplaces to buy products and services. Respondents who perceive they have experienced any of these benefits are more likely to perceive that they have experienced the others. The primary benefit cited by consumers relates to **improved convenience** of transaction (96% in Germany and France and 97% in Spain and Poland). For example, 89% (Germany and France) to 93% (Poland) say online marketplaces make it easy to buy at any time, of which 39% (France) to 45% (Spain) strongly agree with this statement. In Germany 88% to 93% in Poland say that online marketplaces make it quick to buy products or services, of which 34% (Spain) to 39% (Germany) strongly agree.

In France and Spain 84% to 88% in Germany say that online marketplaces bring about **more variety for** consumers. This may also be indicated by the wide range of products and services consumers buy online.

74% (Germany) to 93% (Poland) say that they are able to find **cheaper products and services** by using online marketplaces. The average spend varies from €25 in Poland to €139 in Spain. 34% of online buyers in Germany spend less than €50 compared with 36% who spend the same amount in Spain and 42% in France. 89% of online buyers in France, 92% in Spain and 93% in Germany spend up to €500 and less than 4% across these three countries spend more than this.¹²

If we look at the individual responses of consumers, there is some disparity across countries; again, a higher proportion of users in Poland agree with the majority of statements about benefits. Respondents in Germany are less likely to say that they find cheaper products online, that online platforms make it quick to buy products and services, or that it is easy to buy on the go. However, a higher proportion of users in Germany (87%) are informed about the offers available to them, compared with the other countries (Figure A3.13).

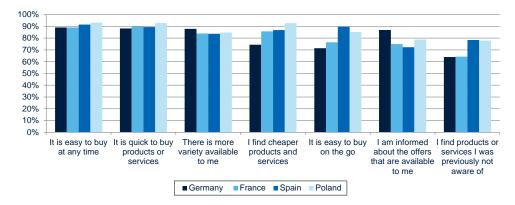


Figure A3.13 Consumer benefits from buying from platforms

Question: Thinking about the websites/apps you use to buy products and services, to what extent do you agree or disagree with each of the following statements? Base: Respondents who buy through online marketplaces (2,771, of which Germany: 703; France: 670; Spain: 661; Poland: 737).

Source: Oxera analysis.

¹¹ Correlation coefficients between 0.31 and 0.37.

¹² The comparison excludes Poland because of the difference in currency.

Many online sellers also express support for benefits from online marketplaces: between 81% (Germany) and 89% (Poland) say that online platforms allow them to sell or share products and services at any time. 65% (Germany) to 86% (Poland) agree that they are able to sell or share products and services quickly using them, and 54% (Germany) to 80% (France) find many people who are willing to buy products and services on online marketplaces (Figure A3.14).

90% 80% 70% 60% 40% 30% 20% 0% I am able to sell or share There are many people It is easy to earn money products or services at products and services who are willing to buy products and services by selling or sharing my products and services sharing products and any time auickly services is complicated ■ Germany ■ France ■ Spain ■ Poland

Figure A3.14 Consumer benefits from selling or sharing on platforms

Question: Thinking about the websites/apps you use to sell or share products and services, to what extent do you agree or disagree with each of the following statements? Base: Respondents who sell products or services on online marketplaces (2,166, of which Germany 486; France: 610; Spain: 497; Poland: 573).

Source: Oxera analysis.

62% (Germany) to 81% (Poland) agree that it is **easy to earn money** from selling or sharing. The highest proportion of sellers through online platforms in each country sell less often than once a month (33% in France and Poland to 38% in Germany). In the past month, average revenue ranged from €12 in Poland to €72 in Spain. In the past month, 27% of sellers in Spain, 39% of sellers in France and 41% of sellers in Germany earned less than €30. In these three countries 23–24% of sellers earned €30–€50. In Germany and France 3% and in Spain 8% report earning more than €200 in the last month selling or sharing products and services (Figure A3.15).

100% 90% 80% 70% 60% 50% 40% 30% 20% 10% 0% France Spain Poland Germany ■€51-100/zł51-100 Less than €30/zł30 ■€31-50/zł31-50 ■€101-200/zł101-200 ■ More than €200/zł200 ■ Don't know

Figure A3.15 Revenue earned from selling or sharing platforms

Question: In the past month, approximately how much did you earn selling or sharing products or services on these websites/apps? Base: Respondents who sell products or services via online marketplaces (2,166).

Source: Oxera analysis.

Concerns

The survey data shows that European consumers have some concerns when using an online marketplace to buy products and services. 38% (Spain) to 56% (Poland) of online buyers have concerns about inadequate information when undertaking a transaction online. 21% (Spain) to 47% (Poland) are unsure of the quality and reliability of products they buy, and 28% (France) to 31% (Spain) find it hard to manage with the large amounts of information provided.

In Poland 34% to 57% in Spain have concerns about data privacy and security, and 29% (Germany and Poland) to 39% (France) find it complicated to return products (Figure A3.16).

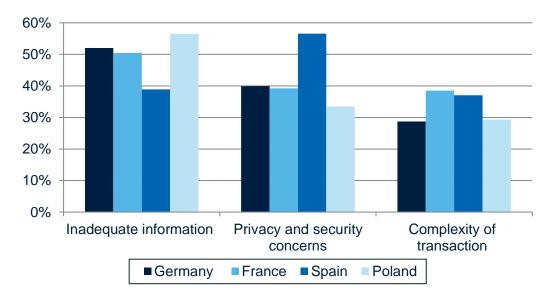


Figure A3.16 Consumer concerns about buying from platforms

Question: Thinking about the websites/apps you use to buy products and services, to what extent do you agree or disagree with each of the following statements? Base: Respondents who buy through online marketplaces (2,771).

Source: Oxera analysis.

27% find the process of selling through an online platform complicated, although only 6% strongly agree with this statement.

19% of respondents in Germany to 37% of respondents in Spain do not use online marketplaces; the main reason being that that they do not need them (28% in Poland, 31% in Spain and 39% in Germany and France). 14% (Germany) to 27% (Spain) of online marketplace users have privacy and security concerns, and 11% (Spain) to 17% (Germany) say they do not have time (Figure A3.17).

40% 35% 30% 25% 20% 15% 10% 5% 0% No need Privacy No time Content Unable to Other and alternatives concerns use expensive these security concerns ■ Germany France ■Spain Poland

Figure A3.17 Reasons why people do not use online marketplaces

Question: You indicated that you have not used any websites/apps to buy, sell or share products or services. Why not? Base: Respondents who do not use online marketplaces (1,807, of which Germany: 291; France: 487; Spain: 557; Poland: 472).

Source: Oxera analysis.

A3.3.4 Comparison platforms

Benefits

Many users agree that there are positive impacts of online comparison websites. 75% (Poland) to 88% (Germany) find that there is a **large variety** available to them on these websites, of which 15% (Poland) to 37% (Germany) strongly agree with this statement.

92% in France, Germany and Spain and 96% in Poland find that comparing products and services online is **more convenient**. 81% (France) to 91% (Poland) say that it is easy to compare products and services at any time, and 73% (Spain) to 87% (Poland) say that they are able to quickly find what they are looking for. The average time saved from a comparison platform ranges from eight minutes (France and Spain) to 15 minutes (Poland) in the past month. However, between a quarter and a third of consumers do not know how much they saved.

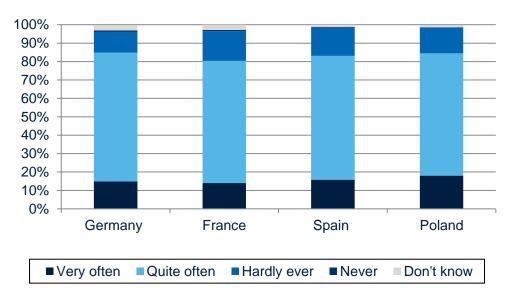
86% (Spain) to 93% (Poland) say that online comparison services lead to **greater transparency of** information. 78% (France) to 86% (Poland) are able to find products and services that are well suited to them, and 67% (Spain) to 84% (Poland) are well informed about their choices when using these websites/apps. The majority of respondents quite often find the products or services they are looking for (66% in France, 67% in Spain and Poland and 70% in Germany). Less than 1% in all countries never find what they are

.

¹³ Median values.

looking for, and only 11% (Germany) to 16% (France) do so hardly ever (Figure A3.18).

Figure A3.18 How often consumers find products or services they are looking for

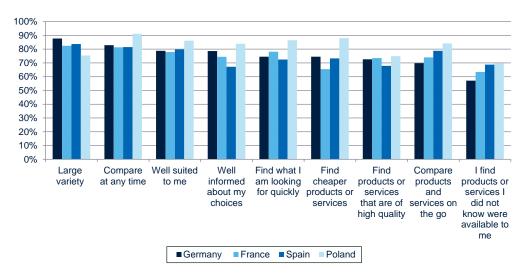


Question: How often do you find products or services you are looking for? Base: Respondents who use comparison platforms (2,958).

Source: Oxera analysis.

Consumers who perceive some benefits are also more likely to perceive other benefits. For example, individuals who find it convenient to use online comparison websites or apps are also likely to benefit from transparency effects and increased variety (Figure A3.19).¹⁴

Figure A3.19 Consumer benefits from comparison platforms



Question: Thinking about the websites/apps you use to find, compare or review products and services, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use comparison platforms (2,958, of which Germany: 756; France: 566; Spain: 816; Poland: 820).

Source: Oxera analysis.

¹⁴ Correlation coefficient between 0.44 and 0.52.

The amount that consumers save varies across countries. Higher proportions of respondents report saving more in Germany and France than in Spain and Poland. 22% (Germany) to 68% (Poland) of comparison website users saved up to €50 in the last year. 18% of respondents in Germany and 12% of respondents in France saved more than €200, compared with 10% in Spain. 66% (France) to 88% (Poland) say that they are likely to find cheaper products through a comparison website. The average saved from a comparison platform ranges between €12 in Poland and €117 in Germany in the past year (Figure A3.20).

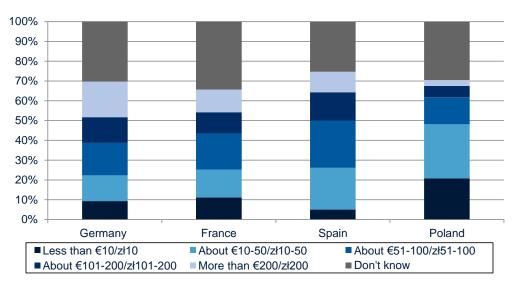


Figure A3.20 Money saved through comparison websites

Question: In the past year, approximately how much do you think you have saved by using these websites/apps? Base: Respondents who use comparison platforms (2,958).

Source: Oxera analysis.

Concerns

The main concern about comparison platforms is that respondents are unsure whether to trust the reviews and other information they find on them. This concern is greatest in Germany (40% of respondents) compared with 39% in France, 37% in Spain and 34% in Poland. Between 21% (Poland) and 28% (Spain) find comparison websites confusing as there is too much information on them (Figure A3.21).

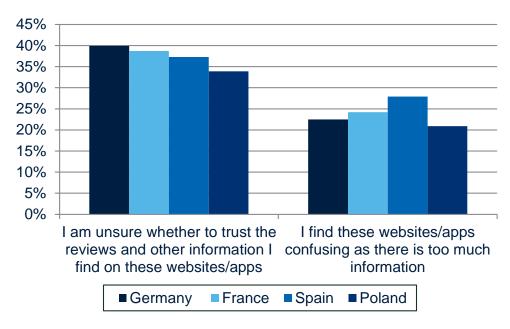


Figure A3.21 Consumer concerns about comparison platforms

Question: Thinking about the websites/apps you use to find, compare or review products and services, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use comparison platforms (2,958, of which Germany: 756; France: 566; Spain: 816; Poland: 820).

Source: Oxera analysis.

26% of respondents in Spain to 34% of respondents in France do not use comparison platforms. The primary reason for this is that they do not need them (31% of users in Spain, 33% in Poland, 36% in France and 39% in Germany). In Spain 15% to 22% in Poland feel they do not have time to use comparison websites. Similar to other platform types, privacy and security concerns are more significant in Spain (22%) than in other countries (Figure A3.22).

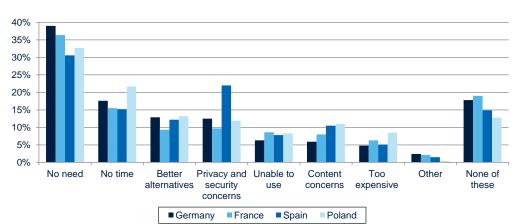


Figure A3.22 Reasons why consumers do not use comparison platforms

Question: You indicated that you have not used any websites/apps to find, compare or review products and services. Why do you not use these websites/apps? Base: Respondents who do not use comparison platforms (1,897, of which Germany: 505; France: 536; Spain: 409; Poland: 447).

Source: Oxera analysis.

A3.3.5 Information platforms

Benefits

Many consumers cite positive effects from online platforms that provide them with information. The majority of these relate to improving the **convenience** of searching for information (93% in Germany, France and Spain and 95% in Poland). The median time saved in the past month by using online platforms to search for information or opportunities ranges from 50 minutes (France and Germany) to 100 minutes (Poland).

In Spain 84% to 88% in Poland find it easy to access information using online platforms at any time. More than a third of people who concur with this statement strongly agree with it. 82% in Germany, France and Spain and 85% in Poland say they find it simple to obtain the information they are seeking, of which 30% strongly agree with this statement. Between 69% (Germany) and 88% (Poland) say they can find information instantly on these platforms.

In France and Spain 73% of users, in Germany 74% and in Poland 83% agree that they find information on these websites or apps that stimulates their interest.

Across countries, there is little variation in consumer perceptions of the majority of these benefits, and the intensity of their views. As with other types of platform, consumers in Poland were more likely to perceive benefits than their counterparts in France, Spain and Germany (Figure A3.23).

90% 80% 70% 60% 50% 40% 30% 20% 10% 0% Access information Simple to find the Access information Find information that Find information at any time information I seek on the go stimulates my interest ■ Germany ■France ■Spain ■Poland

Figure A3.23 Consumer benefits from information platforms

Question: Thinking about the websites/apps you use to look up information or search for opportunities, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use information platforms (3,300, of which Germany: 816; France: 847; Spain: 816; Poland: 821).

Source: Oxera analysis.

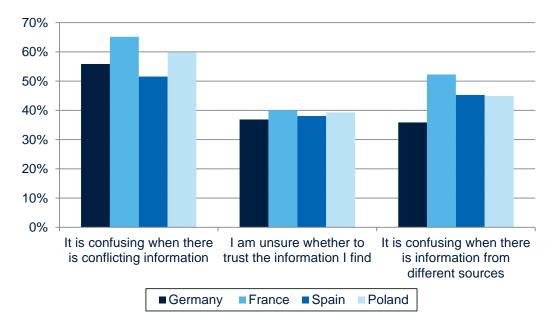
Concerns

As with other types of platform, consumers cite some concerns about using these websites or apps to look up information or search for opportunities. Users in France are the most concerned among the countries surveyed.

Concerns focus on the information these platforms provide access to: 52% (Spain) to 65% (France) find it confusing when there is conflicting information,

and 36% (Germany) to 52% (France) agree that it is confusing when information comes from different sources. In Germany 37% to 40% in France of users say they were unsure whether to trust the information they find on an online platform (Figure A3.24).

Figure A3.24 Consumer concerns about information platforms



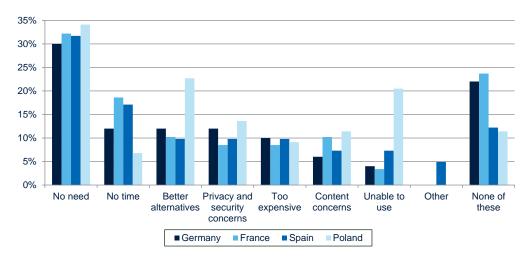
Question: Thinking about the websites/apps you use to look up information or search for opportunities, to what extent do you agree or disagree with each of the following statements? Base: Respondents who use information platforms (3,300).

Source: Oxera analysis.

Less than 4% of respondents across countries do not use information platforms. As with other types of online platform, the main reason for this is that respondents do not need them (30% in Germany, 32% in Spain and France and 34% in Poland). Furthermore, in Poland, 23% of respondents think that there are better alternatives to information platforms elsewhere (Figure A3.25) and 21% say they are unable to use them.

It is important to note that this sample size is small: only 194 respondents across all countries said that they did not use information platforms. As such, only limited weight can be given to these results.

Figure A3.25 Reasons why people do not use information platforms



Question: You indicated that you have not used any websites/apps to look up information or search for opportunities such as employment. Base: Why do you not use these websites/apps? Respondents who do not use information platforms (194, of which Germany: 50; France: 59; Spain: 41; Poland: 44).

Source: Oxera analysis.

A4 Existing evidence

A4.1 Theoretical literature on platform markets and effects

There is a range of academic and empirical literature on platform markets which considers their economic characteristics and effects.

Online platforms are likely to affect consumers directly and indirectly. These benefits may be monetary or non-monetary. Direct benefits result from a reduction in users' economic costs. Consumers might also benefit from the effects of platforms on market structure and competition. Social and wider economic benefits could also exist. In this appendix we describe the ways in which online platforms might have an impact on consumers.

A4.1.1 Effects of platforms

Our analysis focuses on the effects of online platforms compared with markets without the presence of platforms. While some effects may arise from platforms in general, there are benefits that derive from the specific operation and features of particular platforms.

Benefits

Consumers benefit directly where online platforms reduce monetary or nonmonetary search and transaction costs. This can lead to **increased convenience** of transaction for consumers—for example, less time taken to complete or simpler processes:

- an online marketplace reduces the time taken or hassle required for an individual to find the product, service or content they are looking for;
- communication platforms reduce the non-monetary searching and transactions to build or enhance relationships.

Online platforms can lead to an **increase in supplier competition**. They might reduce the monetary costs or geographical limitations experienced by suppliers. Lower distribution costs extend the markets to which firms can supply. These lower costs might even attract new entrants to the market. Increases in competition may in turn lead firms to improve the quality of their offering to consumers. As such, consumers may benefit from lower prices, better quality, or a more diverse range of products.

An increase in competition might lead to **lower prices** for consumers, which may also be facilitated by the fact that serving additional users often has low marginal costs for platforms. Platforms often cross-subsidise from one side to the other, which can also reduce prices to consumers. However, this depends on the level and direction of cross-subsidisation, which in turn depends on each side's sensitivity to prices, the type and strength of network effects, and other factors.

Online platforms can give consumers **more choice or variety in products**, services or content because of their ability to bring together large numbers of users who are willing to interact.

Consumers can benefit from **more relevant products, services or content** because online platforms may facilitate greater transparency and improved matching. Access to more information, including ratings and reviews, improves the consumers' ability to find what they are looking for. Furthermore, many

platforms use data on their customers to provide **increased customisation** and **innovation**. This includes tailored user experiences and proposing content that is likely of interest to the consumer.

There may also be **social benefits** from the use of online platforms. Potential effects include better integration or cohesion into society if consumers find it easier to interact and exchange views, especially with individuals whom they might not meet in person. By facilitating interactions, online platforms can provide individuals with the means to enhance existing relationships or build new ones.

Online platforms may generate **wider economic benefits** if they enable individuals to actively learn and gain knowledge they would not otherwise have. This can have positive implications for both the individual and the economy more widely. For example, the spread of educational material as well as increased transparency of labour markets on online platforms could lead to better outcomes in terms of worker productivity or social engagement.

Potential concerns

While network effects generally constitute a positive externality either on the same side of the platform (direct network effects¹⁵) or across different sides (indirect network effects¹⁶), they can also lead to **concentrated markets**. If network effects are very strong and there is little differentiation between the platforms, markets may 'tip', leading to higher prices than in a competitive situation.

Increased usage of online platforms may result in **intrusion of privacy** where users are uploading personal information. Platforms may take control over this data without giving consumers the opportunity to limit the scope of data collection or to delete information from databases. Platforms may also aim to use personal data to extract higher prices from consumers through price discrimination (where the same good is offered at different prices) or search discrimination (where some consumers are directed to more expensive goods).

Consumers may find it **difficult to evaluate information** provided on platforms, for reasons of information overload, or incomplete information on the source and independence of a specific piece of information. Conflicting information, in particular, can confuse consumers.

Consumers may be unwilling to use online platforms if they perceive a **lack of trust and personal interaction**. For example, they may prefer to buy from a retailer site or offline communication because of their more personal involvement.

Other potential concerns include exposure to **inappropriate or illegal content**, be it abusive or offensive.¹⁷

¹⁵ For example, in a social network, the more users there are, the more people there are to interact with, and therefore the greater the attractiveness of the platform.

¹⁶ For example, in an online marketplace, a seller would choose to sell on a platform where there are many customers also present, as the existence of more buyers increases their potential customer base. At the same time, a platform may be more attractive to customers if a wide range of sellers are present, as more sellers gives buyers more choice.

¹⁷ Hargrave, A. and Livingstone, S. (2006), 'Harm and Offence in Media Content: A review of the evidence', second edition, Intellect, UK.

Multi- and single-homing

Platforms can also be characterised by whether users on either side subscribe to or transact via one or multiple platforms. Consumers' single- or multi-homing behaviour can lead to different market outcomes, depending on other market characteristics, as outlined in the following.

In the theoretical literature, many models make an assumption about whether users on different sides multi-home, ¹⁸ whereas others consider the implications of competitive settings on multi-homing. ¹⁹ In reality, however, multi-homing and market structure evolve simultaneously, which makes the analysis more complex.

The incentive to multi-home on one side of the market is higher if there are more users on the other side who single-home on different platforms. For example, if potential buyers are looking for a product, they are more likely to search on multiple platforms if different sellers are exclusively present on different platforms. If most sellers offer their products on most platforms, buyers are more likely to search on one platform only, as they will get a good overview of the market.

In a rather extreme setting where all users on one side (side A) multi-home and all users on the other side (side B) single-home, a platform can become a 'competitive bottleneck'. Platforms will compete vigorously and set prices low for users on side B, but high, or even monopoly prices, on side A, as the platform is the only access to its users on side B. In this case, platforms generate revenues on side A.²⁰ If single-homing users are concentrated on one platform, other platforms will find it difficult to compete and attract users on the other side, which may lead the market to tip, with one platform emerging as the dominant player.

Often, however, there is partial multi-homing on both sides of a platform, and users can multi-home using outlets that are not necessarily platforms. For example, producers of hand-made goods can offer their products on DaWanda and Etsy, but also on eBay and offline alternatives, such as handicraft markets or in their own shop, which are not within the definition of online platforms. Potential buyers of jewellery may shop in bricks-and-mortar shops, on eBay and Amazon, using search engines such as Google or Bing, or, if they have a specific product in mind, they can use a price-comparison website such as Idealo. Similarly, consumers looking for accommodation in a destination on a specific date may use Airbnb and its local variants, but also visit Booking and their favourite hotel chain's website, or even call a hotel directly.

The degree of multi-homing depends on a variety of factors, including:²¹

· the strength of indirect network effects;

¹⁸ For example, Armstrong, M. (2004), 'Competition in Two-Sided Markets', University College London, mimeo; and Hausman J., Leonard, G. and Tirole, J. (2003), 'On Non-Exclusive Membership in Competing Joint Venturesi, *RAND Journal of Economics*, 34, pp. 43–62.

Joint Venturesi, *RAND Journal of Economics*, 34, pp. 43–62.

¹⁹ For example, Gabszewicz, J. and Wauthy, X. (2004), 'Two-sided markets and price competition with multi-homing', CORE Discussion Papers 2004030, Université Catholique de Louvain, Center for Operations Research and Econometrics (CORE); and Rasch, A. (2007), 'Platform competition with partial multihoming under differentiation: a note', *Economics Bulletin*, **12**:7, pp. 1–8.

²⁰ For example, in the case of systems that allow consumers to search airline prices and availability, most travel agents single-home—i.e. they offer only one system to consumers. Airlines multi-home on various systems to reach many consumers, and pay the systems providers for this. See Vannini, S. (2008), 'Bargaining and two-sided markets: the case of Global Distribution Systems (GDS) in Travelport's acquisition of Worldspan', *Competition Policy Newsletter*, Number 2, pp. 43–50.

- the degree of differentiation between platforms (and non-platform alternatives);
- the degree of homogeneity of user preferences.

As noted, tipping refers to one platform becoming dominant in a market because network effects incentivise users to single-home on a single platform. Tipping can occur if there is no differentiation between platforms, if users on both sides have homogeneous preferences, and if multi-homing users do not have any means to divert users away from the platform in order to limit the extent to which the platform can take advantage of their users.²²

If platforms can differentiate and preferences are heterogeneous, market outcomes with multi-homing on both sides can emerge. Although multi-homing increases the scope for competition, it may not always be efficient since it means forgoing some of the indirect network effects; moreover, it may impose costs on users (to participate on multiple platforms).

There is also a concern that strong network effects, if they favour the emergence of concentrated markets, can lead to high switching costs. This can lock in users on one or both sides of the platform, possibly allowing a platform to exploit its market power by setting higher prices, lowering quality, or reducing innovation. As switching costs reduce competitive constraints, platforms may wish to increase these constraints/their prices to prevent their users from multi-homing, or switching away entirely. Consumers could incur such switching costs for economic, logistical or psychological reasons. For example, some platforms might attempt to make themselves technologically incompatible with rival platforms such that multi-homing becomes more costly. Platforms could also incentivise single-homing by offering volume discounts or requesting exclusivity agreements.

A4.2 Existing surveys and empirical studies

Empirically, a number of surveys and studies provide insights into consumer use of online platforms and the Internet in general, and their reasons for doing so. However, there is limited evidence on the benefits that consumers derive specifically from online platforms.

A4.2.1 Usage of the Internet and online platforms

Internet usage has increased across Europe in recent years. From a European average of 57% in 2007, by 2014 over 78% of Europeans reported having used the Internet in the previous three months. ²³ However, the levels of access vary across Europe, from almost universal access in Iceland (98%) and Norway (96%), to just over half of the population in Romania (54%) and Bulgaria (56%) using the Internet in the previous three months. ²⁴

Consumers with Internet access use the Internet on a regular basis: 83% of EU Internet users report going online every day or almost every day in 2014, compared with 66% in 2007. At the same time, the number of EU citizens who have never used the Internet has more than halved since 2007, from 37% to 18% in 2014. ²⁵

²² Vannini, S. (2008), 'Bargaining and two-sided markets: the case of Global Distribution Systems (GDS) in Travelport's acquisition of Worldspan', *Competition Policy Newsletter*, Number 2, pp. 43–50.

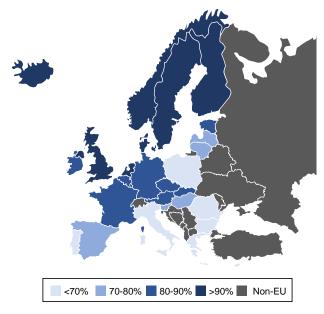
²³ Eurostat data.

²⁴ Ibid.

²⁵ European Commission, 'Digital Agenda Scoreboard'.

Within the EU, 81% of households have access to the Internet at home²⁶ and 75% of Europeans use the Internet at least once a week. Figure A4.1 shows the variation in use across European countries in the past three months. Northern European countries tend to have higher levels of Internet usage, followed by Western European countries.

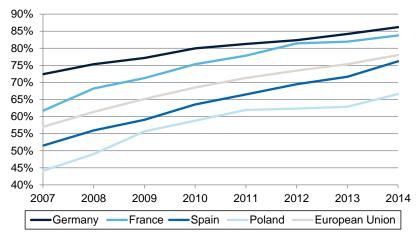
Figure A4.1 Use of the Internet in Europe



Source: European Commission, 'Digital Agenda Scoreboard'.

Internet usage varies across France, Germany, Poland and Spain. Figure A4.2 shows the increase in Internet usage in these countries and the EU average over the period 2007–14. Germany has the highest level of Internet usage, followed by France. Usage in Spain and Poland were below the EU average during this period.

Figure A4.2 Internet usage in the past three months, 2007–14



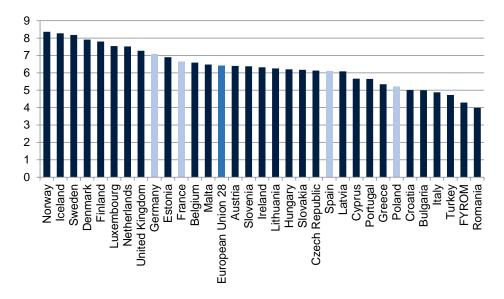
Source: European Commission, 'Digital Agenda Scoreboard'.

European consumers use the Internet for a variety of tasks, as reflected in the number of and growth in diverse types of online platform and their use by consumers. On average, EU consumers have performed six out of 12 online

²⁶ Eurostat (2014), 'Community survey on ICT usage in Households and by Individuals'.

activities in the past 3 months (see Figure A4.3),²⁷ demonstrating the variety of uses of the Internet and online platforms. Looking at the countries covered in the survey, consumers in Germany seem to perform most tasks (around 7). This compares with France (about 6.5), Spain (about 6) and Poland (just over 5).

Figure A4.3 Diversification index for the activities undertaken online by Internet users in 2014



Source: European Commission, 'Digital Agenda Scoreboard'.

Figure A4.4 shows which tasks are most popular among EU Internet users. Many consumers use the Internet to access information, including information about goods and services and about education and training, or in the form of media content such as news.

Several studies highlight the importance of the Internet as a source of information. The share of Internet users in selected European countries visiting search engines regularly in 2013 was 85% in Belgium and Norway, and 82% in Germany and the UK. In Spain, this figure stood at 74% and 62% for Internet users in Hungary.²⁸

In Sweden²⁹ the Internet was rated 3.9 (on a scale of 1 to 5, where 5 was very important) as an information source for people using the Internet. This is higher than the importance of TV and second only to personal contacts (4.2) as the most important. However, common tasks also include the use of eGovernment services, as well as doing online courses.

²⁷ European Commission, 'Digital Agenda Scoreboard'.

²⁸ Statista, 2013.

²⁹ The Internet Foundation in Sweden (2014), 'The Swedes and the internet'.

100% 80% 60% 40% 20% 0% Reading online mages, films or music Accessing information relephoning or making **Jploading self-created** Using internet storage Doing an online Accessing information Participating in social Using eGovernment about education and newspapers/ -ooking for a job magazines about goods and Accessing games, sending a job application networks services video calls content space

Figure A4.4 Tasks performed by EU Internet users in the previous 3 months, 2014

Source: Eurostat (2014), 'Community survey on ICT usage in Households and by Individuals'.

As shown in Figure A4.4, 58% of Internet users across the EU use social networks. Of the countries covered in the survey, activity in Spain is above average, while Poland, Germany and France are all below average. Across countries, younger consumers are more likely to use social networks.³⁰ Of consumers in Germany, 39% use online communities at least once a week, and 32% chat on the Internet.³¹

Globally, the most common reasons why people use social media websites include staying in touch with friends, staying up to date with news and current events, finding funny or entertaining content, and sharing opinions. ³² In the UK, the most common user-driven activities in 2013 were maintaining a profile by uploading materials onto a social network, commenting on or rating online purchases, contributing to discussions on Internet forums, and commenting on a blog or article.³³

In Germany, the digital share of private communication is estimated at 37%.³⁴ In Poland, over half of consumers who use social networks spend at least half an hour on them a day.³⁵

32 GlobalWebIndex (2015), Analyst View Blog.

³⁰ See Private Nutzung von Informations- und Kommunikationstechnologien (2014), 'Destatis Statistisches Bundesamt'; PMR Research Survey, 2012.

³¹ ARD/ZDFOnlinestudie, 2014.

³³ Wiggin (2013), 'Digital Entertainment Survey 2013: Key findings'.

³⁴ Roland Berger (2014), 'Germany Digitalization Consumer Report'.

³⁵ PMR Research Survey, 2012.

70%
60%
50%
40%
30%
20%
10%
Spain European Poland Germany France Union

Figure A4.5 Internet users who have participated in social networks, 2014

Source: European Commission, 'Digital Agenda Scoreboard'.

Many consumers also take an active role on online platforms outside of social networks, exchanging content, opinions and goods. In Germany, 74% of Internet users have written a review.³⁶ These reviews have also been shown to affect purchasing behaviour—for 39% of initial purchases, online recommendations are considered at least as important as face-to-face recommendations.³⁷

As shown in Figure A4.6, on average 33% of European Internet users use the Internet to upload self-created content. This is most popular is Spain (46% of Internet users), followed by France (38%), Germany (27%) and Poland (19%).

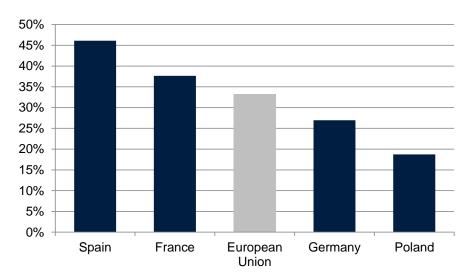


Figure A4.6 Internet users who upload self-created content to be shared, 2014

Source: European Commission, 'Digital Agenda Scoreboard'.

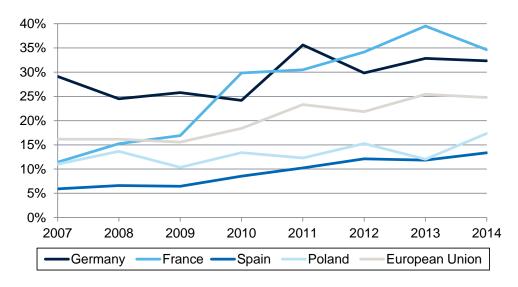
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³⁶ Tomorrow Focus (2014), 'Studie zum Bewertungsverhalten im Internet: Internetnutzer bewerten um zu helfen / Reisen ist Top-Thema', press release, 8 December.

³⁷ Roland Berger (2014), 'Germany Digitalization Consumer Report'.

The proportion of people who use the Internet to sell online also increased over the 2007–14 period. On average, 25% of European consumers sell online (Figure A4.7). Among the survey countries, online selling is most popular in France, followed by Germany.

Figure A4.7 Percentage of Internet users who have sold goods or services online (e.g. via auctions), 2014



Source: European Commission, 'Digital Agenda Scoreboard'.

Many consumers are also willing to share assets. 54% of European consumers would share their own assets, while 44% would share assets from others. This makes European consumers less willing to share than the global average, but more so than North American consumers.³⁸

Many consumers also use online platforms to compare products and services. According to survey evidence, 81% of Internet users across Europe used a comparison site in the last 12 months and 48% used one at least once a month.³⁹ Consumers consider comparison sites a useful part of a wider search, which includes talking to others, general Internet searches, and contacting providers directly. The UK Consumer Futures survey shows that, after the initial search on a specific comparison site, only 17% terminate the search, while 57% use two or three comparison sites and 26% four or more before making a decision.

The use of multiple websites

Hardly any evidence exists on the multi-homing behaviour of European consumers. For social networks in the UK, telecommunications regulator, Ofcom, found that 72% of Internet users had a social network profile. Of these, almost half (48%) had a Facebook profile only, while most others also had a profile on Twitter (26%), WhatsApp (24%), YouTube (17%), Instagram (16%) and others.⁴⁰

³⁸ Nielsen (2014), 'Is Sharing the New Buying?', May.

³⁹ Executive Agency for Health and Consumers (2011), 'Consumer Market Study on the Functioning of E-Commerce and Internet Marketing and Selling Techniques in the Retail of Goods', 9 September, p. 11.

⁴⁰ Ofcom (2015), 'Adults' Media Use and Attitudes Report 2015'.

On the business side of the market, only about 7% of apps developers were found to publish at least in two app stores.⁴¹

A4.2.2 Impacts of online platforms on consumers

Benefits

Various studies provide insights into consumers' perceptions of the benefits from the Internet and online platforms.

According to a 2012 report, consumer surplus⁴² from online platforms in the G20 is \$1,430 per person.⁴³ There is strong variation between countries, with the estimate for France, for example, amounting to \$4,453. At the aggregate global level, McKinsey arrived at an estimated €100bn consumer surplus from ad-supported services for 2010, which was expected to rise to €190bn by 2015.⁴⁴ According to McKinsey's analysis, 52% of this surplus arises from the use of email, search and social networks, followed by Internet phone, mapping, video, and comparison shopping services.

In Poland, 83% of Internet users agree that the Internet was important for their economic future and livelihood. Consumers in other countries expressed lower, but still significant levels of agreement: 76% in the UK, 70% in Sweden, 67% in Germany, 64% in France and 63% in Italy.⁴⁵

Other gains from Internet usage (reported in the UK⁴⁶) include 59% of respondents who said they had saved money; 30% who said they had found information to improve their health, and 9% who said they had used the Internet to find a job. The same study found that 79% of first-generation users thought the Internet made life easier, 74% thought it helped the individual keep in touch with others, and 75% thought it helped them save time.

Some surveys consider benefits from specific types of platform. For example, consumers in Germany state that they would require at least €10,000 to give up their Facebook profile, with 15% of individuals suggesting they would require the same to give up their profiles on Xing, LinkedIn and Google+.⁴⁷ In the UK, a survey found that consumers would be willing to pay £20 for an annual subscription to use Facebook, £19 to use YouTube and £14 to use Twitter.⁴⁸ Around half of Europeans agree that social networks are more often seen as a modern way to keep abreast of political affairs, a good way of getting people interested in political affairs, and a good way to have your say on political issues.⁴⁹

According to a 2015 PwC study of the global retail market, the primary reasons for buying online included 'lower prices/better deals available online', and increased convenience: 'they could shop at any hour', and 'no need to travel to

⁴¹ Hyrynsalmi, S., Makila, T., Jarvi, A., Suominen, A., Seppanen, M. and Knuutila, T. (2012), 'App Store, Marketplace, Play! An Analysis of Multi-Homing in Mobile Software Ecosystems'; Jansen, S., Bosch, J. and Alves, C. (eds.), 'Proceedings of the Fourth International Workshops on Software Ecosystems', CEUR Workshop Proceedings 879, 59–72, CEUR-WS.

⁴² The consumer valuation minus the cost incurred to obtain the service. The analysis captured the valuation derived from communication, content (entertainment, news and social media), search, commerce and job searches

 $^{^{43}}$ Boston Consulting Group (2012), 'The Internet economy in the G-20: The \$4.2 Trillion Growth Opportunity'.

⁴⁴ McKinsey Quarterly (2011), 'The Web's €100 billion surplus', January.

⁴⁵ Statista, 2014.

⁴⁶ OxIS (2013), 'Cultures of the Internet: The Internet in Britain'.

⁴⁷ Statista, 2014.

⁴⁸ Wiggin (2013), 'Digital Entertainment Survey 2013 Key findings'.

⁴⁹ TNS (2013), 'Think... Insights for European Growth'.

a store'.⁵⁰ Other reasons include a 'wider variety of products' available online compared with offline, and that it was 'easier to compare and research products'.

An ATG study⁵¹ found that consumers from different European countries placed emphasis on different aspects of online shopping. Consumers in France were most interested in the comparison aspect, while consumers in Germany highlighted the speed and efficiency of online transactions. UK consumers found the peer review and comments feature most relevant.

Various studies confirm that comparison websites create benefits for consumers. An EU report found that price comparison websites were 'generally well perceived and considered an asset to consumers'. ⁵² The most-cited reasons for using these tools are that 'they offered them a quick way to compare prices' and 'allowed them to find the cheapest price'. Another survey found that, on average, comparison sites provide a 7.8% saving on the online retail price across Europe. ⁵³

Having all the information organised in a similar way, side by side, helps consumers 'make more structured comparisons and an informed choice'.⁵⁴ Comparison sites also display a wider range of products and services from new providers of which consumers were initially unaware. The UK Competition and Markets Authority (CMA) also confirmed that there is a pro-competitive effect of comparison websites in the context of private motor insurance.⁵⁵

An experiment confirmed that online search reduced the time required to obtain an answer. Searching online not only reduced the search time from 22 minutes in an offline search to 7 minutes, but also made participants more likely to find an answer.

Potential concerns

Some consumers choose not to use platforms at all, or may reduce their use due to specific concerns.

The main reasons why consumers in the UK do not use the Internet are that they are not interested, there is no computer available, they do not know how to use the Internet, or they have privacy worries. ⁵⁶ Half of UK Internet users cite concerns with the Internet, which mainly relate to offensive or illegal content. Three in 10 who use apps in the UK have concerns about security/fraud or privacy issues, or offensive content. ⁵⁷

Consumers may use platforms less because they prefer personal transactions over online transactions. In the EU, this sentiment is strongest among respondents in southern Europe—for example, Greece (53%), Portugal (46%), Spain (41%) and Croatia (40%).⁵⁸

⁵⁰ Global PwC (2015), 'Total Retail Survey'.

⁵¹ Oracle ATG (2011), 'Web Commerce—European Consumer Views of E-Commerce: A Consumer Research Study of Buying Behaviors and Trends',

European Commission (2013), 'Study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes for such tools'.
 Executive Agency for Health and Consumers (2011), 'Consumer Market Study on the Functioning of

Executive Agency for Health and Consumers (2011), 'Consumer Market Study on the Functioning of E-Commerce and Internet Marketing and Selling Techniques in the Retail of Goods', 9 September, p. 80.
 RS Consulting (2013), 'Price comparison websites: consumer perceptions and experiences', A report by RS Consulting for Consumer Futures, p. 35.

⁵⁵ Competition and Markets Authority (2014), 'Private Motor Insurance Market Investigation: Final report', December, 24 September, para. 53.

⁵⁶ OxlS (2013), 'Cultures of the Internet: The Internet in Britain'.

⁵⁷ Ofcom (2015), 'Adults' media use and attitudes report'.

⁵⁸ European Commission (2015), 'Cyber Security Report', February.

While ratings and reviews are becoming more common, trust is an issue for online transactions. A survey found that the two concerns most commonly raised by Internet users in the context of online purchases are misuse of personal data (cited by 37%) and security of online payments (cited by 35%).⁵⁹ By contrast, around 32% of Internet users in Denmark, 27% in Poland and 25% in Estonia have no concerns about buying online. The report also found that concerns increased between 2013 and 2015, although 74% agree that 'they are able to protect themselves sufficiently against cybercrime.'

Similarly, 54% of EU consumers said that the Internet is the most likely medium on which they come across misleading, deceptive or fraudulent advertisements, statements or offers. This compares with 18% who mention the phone or 15% who mention the post. 31% of respondents said they do not feel confident purchasing online from a retailer/provider in their own country, compared with 49% who say they are not confident buying online from a retailer/provider located in another EU country.

Privacy plays an important role for German Internet users. They are most likely to have stopped using or deleted an account for online services, apps or social network sites than users in the UK or USA because of data concerns. 131% of German Internet users said they would consider leaving WhatsApp and 29% had already done so. At the same time, subscriptions to Threema increased, a messaging service that offers end-to-end encryption. More than twice as many Germans as UK or US respondents said they had considered quitting Google, Twitter, Skype, Dropbox and Instagram because of privacy concerns.

59 Ibid

⁶⁰ European Commission (2013), 'Consumer Attitudes towards Cross-Border Trade and Consumer Protection', June.

⁶¹ Open Exchange (2014), 'Crossing the Line – At what point do Internet users log off?'

A5 Survey approach

As summarised in Appendix 4, most studies have focused on the use of the Internet in general or on specific types of online transactions, irrespective of whether these involve the use of platforms. Existing studies also provide limited evidence on the benefits and concerns that consumers have with regard to platforms, as well as on their multi-homing behaviour.

The evidence collected in the survey undertaken by Oxera aims to fill these gaps and provides detailed findings for:

- consumers' perceptions of the benefits and their potential concerns;
- the extent to which consumers single- and multi-home and their reasons for doing so.

To conduct the survey, as far as is possible we selected online platforms that tended to show characteristics of pure intermediaries (see section 2 of main report). This criterion ensures that consumer benefits are estimated on a conservative basis. For the analysis of multi-homing behaviour, the survey includes questions that go beyond the narrow platform definition, to capture multi-homing with services that are not platforms.

The survey design and process are explained below, alongside the methodology used to compile the country-specific platform lists. The lists themselves are also presented.

A5.1 Survey design

A5.1.1 Platform definition and taxonomy

To conduct our assessment, in order to guide respondents, they were shown lists of 12 platforms, sorted by platform type. Section A5.3 contains further detail on how these platforms were determined and the country-specific lists.

By construction of the survey, our estimates are conservative, as the survey does not include websites or apps that have mixed business models (as described in section 2). For example, the lists do not include several large players in the online market such as Amazon (as a retailer), Spotify, Zalando, Expedia and Netflix. These providers still retain a considerable degree of control over the transaction, and the involvement of one side (such as sellers, artists or film studios) is limited. Given the popularity of these providers, their inclusion in the platform definition would have been likely to have significantly increased the extent of usage and size of the benefits estimated.

For the multi-homing analysis, the definition was loosened, as websites/apps that are not platforms can also be suitable alternatives to perform specific tasks. The survey asked respondents to include other websites/apps that they use to perform specific tasks before assessing task-specific multi-homing. However, it is still possible that not all relevant platforms, other websites/apps or even offline alternatives were captured. Hence, single-homing behaviour might be overstated compared with a situation where all relevant alternatives were included.

To make the survey accessible for respondents, we identified key activities that consumers perform on online platforms and classified these into types of platform by grouping them as follows:

- communication—to communicate and stay in touch with friends, family and other contacts, or to meet and get to know people;
- entertainment—to access or share content such as music, videos or photos;
- online marketplaces—to buy, sell or share products and services;
- comparison—to find, compare or review products and services;⁶²
- information—to look up information or to search for opportunities.

A5.1.2 Platform usage

In the survey we asked a series of questions about the aggregate usage of online platforms. In this section, our survey required respondents to:

- choose from a suggested range the activities they complete online;
- select the websites/apps they use within each type of platform and add any they use in addition to these;
- indicate the frequency with which they use each type of platform.

Individuals who did not select any activities from the specific platform types were asked to select their reasons for not using websites/apps for those activities.

A5.1.3 Consumer perceptions of the impacts of online platforms

If a respondent indicated that they completed one of the activities listed, they were routed to specific questions that asked for more detail about their experiences with the particular platform types.

The survey targets consumers' perceptions of the impact of using online platforms. Many of the benefits identified are difficult to quantify, especially when they are non-monetary. However, it is the consumer's perception of the benefits that influences their decisions to use online platforms; thus, their perception provides valuable insight into what drives consumer behaviour.

To avoid respondent fatigue, respondents were asked questions about up to three different platform types into which they were routed, as described in section A5.3. If a respondent indicated that they used more than three different platform types, they were randomly allocated to three. There was also a least-filled quota strategy to ensure that similar numbers of people answered questions for the different types of platforms.

In these sections, consumers were asked to:

- select specific tasks that they complete on this platform type;
- where relevant, estimate savings in terms of money or time that they make because of using online platforms;
- indicate their agreement or disagreement to a series of statements covering potential benefits or concerns.

The statements reflect likely consumer benefits, compiled from economic literature and other relevant research such as empirical studies and surveys. We

⁶² To be eligible for this task, consumers had to select 'Travel' as one of the products they compare on platforms.

also included statements for respondents to indicate the strength of any concerns they might have about online platforms.

The survey does not identify what consumers would do if they did not use online platforms and ask them to assess benefits of online platforms on this basis. Such a hypothetical situation would be likely to vary across respondents and may often not be well-defined, in particular where, in the absence of online platforms, consumers would not engage in a specific activity (such as sharing self-created content).

A5.1.4 Assessing multi-homing behaviour

Within the type of platform-specific questions, respondents were requested to:

- identify whether they used any additional websites/apps to perform specific task on that type of platform;
- select reasons why they chose to single- or multi-home dependent on their previous platform choices (and any additions).

Our analysis of single- and multi-homing behaviour focuses on the number of platforms that people use to complete specific tasks and their reasons for using one or multiple websites to undertake tasks. We are also able to compare this behaviour and the associated reasons across countries and types of platform.

A5.2 Survey process

The survey targeted 1,500 Internet users in each of Germany, France, Spain and Poland.⁶³ The questionnaire was completed online and quotas were set on age, gender and region to ensure that the sample was representative of the national online population.

Various measures were taken to ensure that respondents found the survey understandable. The first survey draft was based on a series of face-to-face cognitive interviews to test the respondents' understanding of the questions and the suitability of the routing. The feedback from this was incorporated into subsequent drafts.

The final draft was first produced in English before being translated into German, French, Spanish and Polish, and the translations were combined with country-specific adjustments (to currency and platform lists).

The survey was soft-launched on 3 September 2015 to ensure correct routing. Fieldwork took place over one week from 5–13 September 2015 in all four countries.

A5.3 Country-specific platform lists

In the initial section of the survey, once respondents had indicated that they undertake an activity online, they were provided with a list of 12 popular platforms to choose from (Table A5.1).

These platform lists were developed individually in each country so that they were the most appropriate and relevant to the respondents. The lists were designed to cover equivalent types of platform in each country, but also to take into account any country-specific uses.

⁶³ The sample was slightly larger with 6,010 respondents across the four countries.

To compile the lists, we used publicly available information on the top websites and apps used in each country. ⁶⁴ The platform lists cover single- and multifunction online platforms, as well as national, international and different-sized ones.

Within each type of platform (excluding information platforms) we identified a core task that we expected to be the most popular task for the multi-homing analysis. We dedicated at least seven platforms within each list to platforms on which we anticipated the core task was likely to be undertaken. The core tasks were as listed in section A5.4.

Table A5.1 Platforms used in individual surveys

France	Germany	Poland	Spain		
A: Communication					
Facebook	Facebook	Facebook	Facebook		
Google +	Google +	Google +	Google +		
Skype	Skype	Skype	Skype		
Snapchat	Snapchat	Snapchat	Snapchat		
Twitter	Twitter	Twitter	Twitter		
WhatsApp	WhatsApp	WhatsApp	WhatsApp		
Trombi	Odnoklassniki	NK (Nasza Klasa)	MySpace		
Copains d'avant	StayFriends	Viber	Telegram		
LinkedIn	LinkedIn	LinkedIn	LinkedIn		
Viadeo	Xing	Goldenline	Line		
Meetic	Friendscout24	Sympatia	Meetic		
Badoo	Parship	Badoo	Badoo		
B: Entertainment	B: Entertainment				
Facebook	Facebook	Facebook	Facebook		
Instagram	Flickr	Instagram	Flickr		
Pinterest	Instagram	Pinterest	Instagram		
Reddit	Pinterest	Reddit	Pinterest		
Soundcloud	Reddit	Tumblr	Reddit		
Tumblr	Soundcloud	Twitter	Tumblr		
Twitter	Tumblr	YouTube	Twitter		
YouTube	Twitter	Cda	Vimeo		
Dailymotion	YouTube	Demotywatory	Vine		
Diply	Fotocommunity	Imgur	YouTube		
Over-blog	Јарру	Kwejk	Forocoches		
Stumbleupon	MyVideos	Wykop	Meneame		
C: Buying/Selling					
Amazon Marketplace (dans le cas où vous achetez à un vendeur tiers au lieu d'acheter auprès d'Amazon)	Amazon Marketplace (das heißt, Sie kaufen von anderen Anbietern und nicht von Amazon direkt)	Allegro	Amazon Marketplace (cuando compra de un vendedor tercero en vez de comprar de Amazon)		
еВау	eBay	еВау	Comprar		
Vente-privee	eBay Kleinanzeigen	Gratka	еВау		

⁶⁴ Sources: Alexa Analytics (Month from 6 Aug 2015), AppAnnie (6 Aug 2015 update), iOSappstats (7 Aug 2015 update), similarweb.com (6 Aug 2015 update), usage statistics from newspapers or specialised websites.

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France	Germany	Poland	Spain
Leboncoin	Etsy	OLX (Tablica)	Locanto
Priceminister	Kalaydo	Świstak	Loquo
Rueducommerce	DaWanda	za10groszy	Milanuncios
DaWanda	Quoka	zapixel	Segundamano
Airbnb	Airbnb	Airbnb	Airbnb
Lacentrale	Mobile	Pyszne	Autoscout24
BlaBlaCar	Mitfahrgelegenheit	Otomoto	BlaBlaCar
Ouishare	Just-eat	Gumtree	Just-eat
App stores	App stores	App stores	App stores
D: Comparison			
Alibabuy	Check24	Kayak	Idealo
Easyvoyage	Idealo	Momondo	Kayak
Kayak	Kayak	Fly4free	Minube
Liligo	Momondo	Skycheck	Rastreator
Skyscanner	Skyscanner	Skyscanner	Skyscanner
TripAdvisor	TripAdvisor	TripAdvisor	TripAdvisor
Trivago	Trivago	Trivago	Trivago
Kelkoo	Immobilienscout24	Okazje	Ciao
Acheter moins cher	Billiger	Rankomat	Kelkoo
Achetez facile	Immowelt/Immonet	Otodom	Twenga
Seloger	Billiger-mietwagen	Skąpiec	FourSquare
Leguide	Yelp	Ceneo	Idealista
E: Information			
Ask	Ask	Ask	Ask
Bing	Bing	Bing	Bing
Clubic	Chefkoch	Google	Google
Commentcamarche	Google	Imdb	Meneame
Google	Gutefrage	Naszemiasto	Paginas amarillas
Live	Leo	Wikipedia	Softonic
Pages jaunes	Dasoertliche	WP (Wirtualna Polska)	Wikipedia
Wikipedia	Wikipedia	Yahoo	Yahoo
Yahoo	Yahoo	Zumi	Xataka
Pole-emploi	Xing	Pracuj	LinkedIn
Viadeo	Indeed	Infopraca	Monster
LinkedIn	LinkedIn	LinkedIn	Infojobs

A6 Benefits generated through online platforms

Our case study design was shaped by a review of the functions provided by Internet intermediaries, as presented in a report issued by the OECD.⁶⁵ Table A6.1 outlines how the functions identified by the OECD translate into benefits experienced by businesses.

Table A6.1 Benefits experienced by businesses, based on platform function

Function	Businesses experience benefits from:
Providing infrastructure	Market expansion —the infrastructure provided by intermediaries allows businesses to operate outside their normal geographic constraints
Collecting, organising and dispersing information	Repeated-game cooperation—platforms provide a means of collecting and organising feedback about products for other potential buyers Cost reduction (search and transaction)—platforms provide consumers with ways to find potential products/services more efficiently Information expansion—information collected and organised through online platforms allows businesses to observe aggregate patterns of consumer behaviour
Social communication and information exchange	Cost reduction (search and transaction) —platforms provide businesses and customers with an efficient medium of communication
Aggregation of supply and demand	Market expansion—increased geographic markets mean that businesses can sell their products to more consumers Divisibility of risk—funding platforms allow businesses to aggregate small investments over a large market in order to generate the capital needed
Facilitating market processes	Cost reduction (search and transaction)—platforms allow buyers and sellers to find each other at lower cost Price discrimination—the structure of platforms in facilitating sales transactions allows businesses to target specific customers at different price levels
Providing trust	Signalling —platforms allow buyers to discern more information about the vendor/product quality, thereby reducing asymmetric information problems
Taking into account the needs of buyers, sellers, users and customers	Information expansion—information collected and organised through online platforms allows businesses to better tailor their offerings in response to consumer preferences Cost reduction (search and transaction)—the communication medium provided by platforms allows businesses to better integrate customer feedback

Source: Oxera.

Table A6.2 shows how the benefits experienced by businesses are expected to be distributed under various types of platforms.

Table A6.2 Benefits based on business process

Process	Benefits generated through:
E-commerce	
Social commerce platforms	Price discrimination, market expansion
Search engines/online marketplaces	Signalling, cost reduction (search and transaction), market expansion, information expansion
Media/file-streaming platforms	Market expansion
Online payment platforms	Market expansion

⁶⁵ OECD (2010), 'The economic and social role of internet intermediaries', April.

Product feedback tracking platforms	Market expansion, information expansion	
Marketing		
Marketing feedback/ad tracking platforms	Market expansion, information expansion	
Discussion forums and product review blogs	Repeated game cooperation, signalling, cost reduction (search and transaction), market expansion, information expansion	
Marketing materials distributed over online platforms	Cost reduction (search and transaction), market expansion, information expansion	
Recruitment		
Online recruitment platforms	Signalling, cost reduction (search and transaction), market expansion, information expansion	
Application processing platforms	Market expansion, information expansion	
Video/audio conferencing platforms	Market expansion	
Funding		
Creative crowdsourcing platforms	Market expansion, information expansion	
Crowdfunding platforms	Signalling, price discrimination, spread of risk, cost reduction (search and transaction), market expansion, information expansion	
Source: Oxera.		

Source: Oxera.

A7 Business case studies

The participants in our business benefits case studies are detailed in Table A7.1.

Table A7.1 Business case study participants

	Company/ organisation	Country of origin	Activities	Interviewee(s)
E-commerce				
	Chocolissimo	Poland	Chocolates, sweets and keepsakes retail	Adam Jankowiak, Head of E-commerce
	Ola & Olo	Poland	Mobile- and tablet- based games for children	Paweł Kozak, Founder
	Geschmeide unter Teck	Germany	Craft jewellery retail	Isabell Kiefhaber, Founder
	Odylique/ Essential Care	UK	Cosmetics manufacture and sales	Abi Weeds, Director
Marketing				
	iCasque	France	Motorcycle accessories	Jeremy Pasquetti, President/CEO
	Fotofabriek	Netherlands	Custom printing	Sicko Winters, Online Marketer
	Barcelona Alternativa	Spain	Health and wellbeing blog	Angeles Castell Marcos, Owner and Manager
	Desperta Ferro	Spain	Historical magazine publisher	Alberto Pérez, Founder and Director
	NapoleonCat	Poland	Marketing services	Grzegorz Berezowski, CEO/Chairman
Marketing/ e-commerce				
	Studio Pango	France	Mobile- and tablet- based games for children	Julien Akita, CEO and Christian Larger, Senior Advisor
Recruitment				
	PwC	UK	Professional services	Karin Turner, Recruitment Manager
	Saxton Bampfylde	UK	Executive search	Sarah Magnell, Executive Search Consultant
Funding				
	Notes	UK	Specialist coffee, food and wine	Rob Robinson, Founder and Director
	Audax Records	France	Classical music group	Johannes Pramsohler, Artistic Director

Source: Oxera.

A8 Detailed interview notes

A8.1 E-commerce

Interview with Adam Jankowiak, Head of E-Commerce at Chocolissimo

Chocolissimo is a Poland-based business selling chocolates, sweets and keepsakes. It sells to both consumers and businesses, with sales in Poland and other EU markets such as Germany, the Czech Republic, Slovakia, Lithuania and Romania. Products are sold through the Chocolissimo website as well as through third-party online platforms, a catalogue, and physical sales channels such as stands/kiosks and in bricks-and-mortar shops.

Chocolissimo has been using online platforms for approximately 11 years for various tasks within its e-commerce process. Products are featured online through the German branch of Amazon, as well as on a Polish platform called Allegro. The brand is also using social media in the form of Facebook, Instagram and Pinterest. Chocolissimo takes payments through Paypal and PayU, a Polish online payments platform. Customer feedback is collected through a platform called Opineo. Adam indicated that the relative sales through these platforms are low (approximately 5% of all sales). While Chocolissimo products are featured on other sites, Adam mentioned that it charges approximately 10% commission for sales; the goal is to direct traffic to the business website in order to eventually convert sales through online platforms to own website sales. Online platforms and social media are used to reach a wider customer base in order to facilitate the growth of own website sales. The two benefits mentioned of selling through its own site were to increase brand awareness as well as to reduce the cost of paying commission.

Chocolissimo is not featured on social commerce platforms; given the goal to promote the brand as a premium chocolate company, Adam said it would have been strategically inconsistent to offer the product on a discount website. Additionally, when Chocolissimo had considered using social commerce sites a few years ago, these sites required a 50% discount, of which the platform itself would take 50% of the remaining sales as commission, resulting in a 75% reduction on the original product price for the end business.

Online payment platforms were cited to have many benefits for Chocolissimo; Adam noted online bank transfers or cash on delivery as other available options. Online payment platforms generally broadened the customer base, provided greater data security, and make it easier to handle orders and returns. A downside of the use of online payment platforms is that they take a percentage of sales, thus costing more than other non-platform versions of payment.

Feedback is tracked across all platforms as well as through Opineo; on rare occasions, the use of feedback has allowed Chocolissimo to better develop future products. For example, Adam described a time when the company's chocolate telegram was available only in milk chocolate, but customer feedback led the company to expand the selection to include other types of chocolate.

The general downsides of online platform use mentioned were increased security concerns and costs, and the difficulty in communicating the aspects of a physical product, such as chocolate, through an online medium where potential customers cannot closely examine or sample the product. However,

the broadening of the customer base has allowed Chocolissimo to benefit from the use of online platforms, despite some downsides.

Interview with Paweł Kozak, Founder of Ola & Olo

Ola & Olo is a Warsaw-based company that sells mobile- and tablet-based games for children, based around its two protagonists, Ola and Olo. Paweł, the founder, currently manages the development and marketing and is planning on overseeing future expansion of the business. Ola & Olo was founded two years ago; in the last fiscal year, it generated approximately €250,000 in annual sales (1m PLN). It has generated a significant percentage of its sales internationally, with downloads from as far away as Saudi Arabia (5% of users), Indonesia (10% of users), and Brazil (5% of users). The USA was also mentioned as a significant market (8% of users), but because there are other markets that are bigger for the company, it is not currently considered an immediate priority.

The games are hosted exclusively on Google Play stores; because of the prevalence of Android users in markets that are important to Ola & Olo (markets outside of North America and China, which each have their own popular online application marketplaces), Paweł has not considered selling its games on other platforms, such as Apple, in the short term. Google Play provides marketing, selling and payment functions, in addition to providing customer feedback from ratings that are translated from customers' native languages. Payments are made by Ola & Olo to Google Play through the platform; Paweł indicated that the payment process is transparent in its set-up and might be more obscure if done through a third-party platform.

While Paweł indicated that other platforms created specifically for the purpose of marketing (Heyzap, Appjolt, and Chartboost) were considered too expensive to use; the size of the user base available for applications featured on Google Play meant that it might not be cost-effective for small developers, such as Ola & Olo, to invest heavily in marketing activities outside of this platform. Ola & Olo spends approximately 30% of its operating budget on marketing through Google Play.

Paweł noted that the use of the online platform may have increased sales through the perceived security of purchasing an application through Google Play; customers may feel they are less likely to download a virus from an application that is featured on a platform rather than through its own website.

Because this product only exists digitally, Paweł was confident that the business would not exist without the infrastructure provided by online platforms; a small company such as Ola & Olo would have never been founded in the absence of online application marketplaces.

The feedback process offered by Google Play has been directly incorporated into the development of subsequent products; Paweł described how some negative customer reviews about the introduction sequence for its games prompted a review and subsequent changes in future versions. Additionally, in response to a review by a customer, for one of the games Ola & Olo developed a paid version without advertisements.

Paweł noted that Google Play's introduction of certain policies, such as prohibiting advertisements in apps categorised as for children, restricted the flexibility that game developers had in reaching customers. In this instance, he was required to opt out of selling games through the children's category and instead focus on selling through the general category, which may have resulted in the loss of potential sales. However, despite this restriction, Paweł believes

that Google Play has had a profound and significant positive impact, allowing him to create a business that would not otherwise exist.

Interview with Isabell Kiefhaber, Founder of Geschmeide unter Teck

Geschmeide unter Teck is a craft jewellery company based in the Kirchheim region of Germany that sells jewellery made by hand using cast resin and sterling silver. Isabell, the founder, sells products on- and offline; online, her products have been sold through the platforms DaWanda (since 2011) and Etsy (since 2013). Approximately 10–15 items are sold each month through each online platform. An additional 10–15 items are sold through the 6 or 7 market events that Isabell attends in her local region of Kirchheim. She also displays some pieces in a gallery in Berlin and sells through word of mouth.

In terms of the relative costs of operating through each channel, Isabell indicated that online platforms are a low-cost option—both DaWanda and Etsy charge a small per-item fee (less than €0.30 cents on either site) to display Geschmeide unter Teck's products, in addition to taking a sales commission of between 3.5% and 5%. The total cost of operating through online platforms is €30–€80 per month, depending on the level of sales. Alternatively, selling in person through a market event in Kirchheim costs Isabell approximately €80–€150 per event, and the gallery in Berlin that displays Geschmeide unter Teck's products charges 40% of sales as a commission.

DaWanda allowed Geschmeide unter Teck to sell across a wider German market first. Isabell decided to list products on Etsy after hearing about it through DaWanda platforms and word of mouth. The move to Etsy resulted in increased sales, particularly in markets outside of Germany. Currently, over half of Geschmeide unter Teck's revenue is from sales through online platforms; of this, 30–40% are from outside of Germany. Isabell also tried selling on another online platform, Ezeebee, and other German artist platforms, previously. However, due to the limited reach and cost of updating information, she chose to focus on the use of Geschmeide unter Teck's current two platforms.

Another advantage Isabell cited was the integration of marketing functions within DaWanda and Etsy; Geschmeide unter Teck was featured in the newsletters of both platforms, which increased subsequent traffic to her pages. A member of DaWanda UK shared Geschmeide unter Teck's products, and this was re-shared across social media and blogs, also resulting in an increase in web traffic.

In terms of potential benefits from customer feedback, Isabell mentioned that customers who choose to purchase Geschmeide unter Teck's products tend to be self-selecting; customers who see and like Geschmeide unter Teck's products are less likely to purchase the products and then provide negative feedback. As a result, despite having high levels of feedback through both online platforms, Geschmeide unter Teck has only ever needed to make two returns.

Maintaining an up-to-date online presence and English translations on Etsy were cited as two of the main costs of using online platforms. These have been offset by the advantage of being able to reach markets with significantly reduced geographic barriers.

Interview with Abi Weeds, Director of Odylique/Essential Care Organics

Odylique is the primary brand name of Essential Care (Organics) Ltd, which manufactures and sells organic cosmetics. Over 50% of sales are direct to consumers; the rest are to UK retail stores and distributors in other countries. Direct consumer sales are exclusively online—the company itself has three websites serving UK, France, and US/North America. In addition, Odylique sells products through a range of online retailers including Feel Unique, Lovelula, Naturisimo, Not on the High Street, and My Supermarket; although smaller, these account for approximately 5–10% of total sales. In some cases the retailer will purchase stock using Essential Care, as a wholesaler would not satisfy the 'intermediary' criterion for an online platform, although a consignment business model is becoming increasingly common.

Odylique has been using these third-party retailers for around ten years. For offline transactions, it also accepts phone orders, and sell to bricks-and-mortar retailers. Sales are split approximately 60% online, 40% offline.

The company sells through several online retailers in order to improve the distribution of its products. Customers may also use both direct and third-party retail channels. Anecdotally, the company understands that people sometimes discover products through third-party retailers, and then continue to shop with them on their website. Conversely, some people buy from Odylique first, and then continue to buy through other distributors.

Some of the online retail platforms have a much wider customer base than Odylique's own, including the ability to market to a large number of potential buyers. In some cases this has allowed a degree of geographic expansion, although this has been relatively limited. The balance between increased distribution and cost to list is key to the company's decision to use a particular third-party retailer.

Abi noted that the cost of using third-party retailers can be significant. The retail platforms used by Odylique generally charge a marketing fee to distribute marketing materials to the platform's customer database. The platforms also receive a significant share of the sales, around 50%. Some retail platforms are also charging listing fees. The company suggested that sales through third parties are becoming increasingly expensive. That said, there is also a cost associated with building and maintaining the company's own website.

Third-party retailers offer standardised terms and conditions such as free international shipping. Shopping from third parties also allows customers to buy a range of brands in a single order.

Other than the cost-reduced margin, Abi suggested that the main drawback of third-party retail platforms is the lack of direct customer engagement, which is much stronger with direct sales. Third-party retailers would also tend to grow by adding brands rather than increasing sales among the brands they already sell.

Odylique also makes use of other online platforms for non-sales functions. These include a range of social media platforms, payment gateways (Sagepay, Paypal), and a customer feedback/rewards platform which is integrated into Odylique's own website.

The use of payment gateways is largely consumer-led. For instance, if the company were selling into Germany, it would need to consider bank transfers and cash on delivery; while the French market has, until recently, meant the

company was accepting cheques. Requests from customers in the USA had been the main reason for using Paypal and adding Amex via Sagepay. These had generally increased transaction costs due to the fees charged, although they are generally reasonably priced and in some cases the unit cost decreases with scale. Abi suggested that payment methods were unlikely to be the main reason a customer chose Odylique's products per se. However, it was having an effect on sales, by increasing the probability of purchasing once a customer was interested.

The customer feedback platforms were still at an early stage in terms of the impact on the company. However, the company has been able to use a customer testimonial received via this channel as a case study published in a national lifestyle magazine. The platform also offers a general point of customer engagement in addition to the normal customer service channel.

A8.2 Marketing

Interview with Jeremy Pasquetti, President/CEO of iCasque

iCasque is a motorcycle accessories company based in France, which has recently expanded into Italy, Germany, Spain and the UK. More than 99% of its customers are individual retail customers, with a small fraction of sales going to government departments, such as police units, or businesses such as food delivery services. With a budget of €400,000 per year, the business has no printed marketing or advertising material, relying entirely on Internet-based marketing strategies.

The goal of iCasque's marketing strategy is to achieve the highest return on investment given budget constraints: iCasque indicated that the use of analytics available in targeted online ads made them the most attractive marketing option, and the medium that iCasque is most reliant upon today. Currently it uses targeted online ads, such as Google Adwords (since 2007), which, together with natural search, accounts for 65% of its current web traffic; email lists (since 2008); online marketplaces and price comparison websites; social media platforms (since 2010); and Facebook advertising (since 2015).

It has also used the following strategies in the past, but no longer does so because of a lack of available data on returns: affiliate programmes providing links on other websites; banner ads; retargeting ads; and magazine ads.

iCasque has a following on social media, with 4,000 Twitter followers and 15,000 Facebook likes. Jeremy indicated that the use of social media serves a different purpose than the Adwords marketing, in that social media allows the company to sustain a relationship with existing and potential customers. It has hired two community managers to maintain and produce online content, such as contests and prizes, and to communicate with customers via platforms such as Facebook, Instagram and Twitter.

For iCasque, the choice to use online platforms is based on its effectiveness and lower cost (although it did indicate that the costs of Adwords are rising because of the auction system). Jeremy indicated that, without the use of online platforms, iCasque would need to rely heavily on in-person marketing by attending motorcycle race events. This would require constant monitoring and research, as well as having staff available to attend, and would not necessarily reach all of iCasque's customer base, which includes motorcycle enthusiasts, as well as casual commuters.

The two primary advantages of online platforms are the effectiveness of targeting and cost. iCasque would be reliant on attending events and conducting face-to-face marketing, which would require more research and be more staff-intensive than online methods. Currently, 40–50% of iCasque customers are directed to the website because of online platforms. Moreover, because of the ability to target the most promising consumers, iCasque is able to achieve a conversion rate (the proportion of site visits that generate a direct sale) that is twice as effective as the general rate of 1–2.5% from customers directed from online platforms such as Adwords or social media.

Interview with Sicko Winters, Online Marketer at Fotofabriek

Dutch company, Fotofabriek, focuses on photobooks and custom printing, with sales across Netherlands, Belgium, Austria and Germany. It is primarily consumer-focused, although some of its customers are other businesses. With an annual marketing budget of €100,000 per year, Fotofabriek uses the following within its marketing strategy: direct print advertising with mail and flyers; co-selling with other products and selling via partner organisations; targeted online ads, such as Google Adwords (since 2010); and social media including Facebook, Twitter, Pinterest and YouTube (since 2009).

Sicko indicated that the marketing strategy includes using ads, co-selling and direct print advertising to find potential new customers, while social media platforms serve more the function of facilitating repeat sales or a customer service function. Within social media, different platforms are used for slightly different functions; Twitter, being less content-heavy, is used mainly for customer feedback and communication, while Facebook is for promotional content in addition to customer feedback.

Based on budget constraints, radio and television advertising would not be an option in the absence of online platforms; Fotofabriek would need to rely heavily on door-to-door flyer distribution, and print advertisements. Sicko indicated that this would not be ideal; for Fotofabriek, the benefit of online platform use in marketing comes from the measurability of outcomes; Sicko indicated that Adwords marketing provides metrics on their effectiveness. Through targeted online advertising, Fotofabriek is also able to target specific demographics who may be more likely to be interested in its product.

In terms of the adoption of social media within marketing, Fotofabriek indicated that this was primarily to benefit from the wide base of potential customers who use social media, and because its competitors were also actively involved in using social media. The main drawback was that while customers were able to communicate with Fotofabriek through social media, they were also able to provide public negative feedback, which would need to be addressed. While social media does not generate any immediate impact on marketing metrics, such as conversion rates, Sicko pointed out that social media platforms are important for strengthening brand. Overall, he noted that more than 50% of the growth of Fotofabriek can be attributed to online marketing.

Interview with Angeles Castell Marcos, Owner and Manager of Barcelona Alternativa

Barcelona Alternativa is an online hub sharing information about wellbeing and healthy lifestyles. The organisation has no marketing budget as such, but publicises its content extensively through social media. Barcelona Alternativa has about 5m followers across about 50 different groups and pages on Facebook. The initial focus was Spain; the majority of its visitors currently

come from Spain, Mexico, Argentina, Chile and the USA. Barcelona Alternativa only recently started to offer an English-language version, which is also used by visitors from China and Japan, for example.

Prior to the advent of social media, Barcelona Alternativa had worked with other media (radio, television, newspapers, magazines) on related topics since 1991. Currently it uses a range of social media platforms, with a focus on Facebook. These include Twitter, LinkedIn, Pinterest, and, for evaluation purposes, Google Analytics, Webmaster tools, and whos.amung.us. Google + has also been used in the past, but was not as successful due to the lack of subscribers. The different platforms are used to publish the same content but to a wider audience, as different users visit different platforms.

Given that the ultimate aim is to share information, the respondent considered that using online platforms mainly delivered benefits for the organisation and enabled a significant increase in readership as well as a reduction in costs. In addition, Facebook, in particular, allows direct interaction with readers and measurement of the popularity of articles, which provides feedback on what users are most interested in. Platforms have also enabled Barcelona Alternativa to increase its readership from 1m readers per year, when the first web page was created, to 500,000 readers a day now.

Interview with Alberto Pérez, Founder and Director of Desperta Ferro

Desperta Ferro is a Spanish publishing house specialising in military history and archaeology, with readership across Spain and Latin America. Desperta Ferro produces several magazines with six issues a year (three have print runs of 12,000 copies, while one has a print run of 20,000 copies), in addition to books and special issues. It sells its products both through retail (newsstands, bookshops) and directly to consumers.

The company uses the following marketing tools: advertising in other print periodicals; advertising on radio programmes; a mailing list; attending fairs in person; a blog; and Facebook (which it has been using for five years) and Twitter (for three years).

Of its €5,000 budget, 70–75% is focused on social media, using Facebook as the main marketing tool because it is very effective at targeting certain demographics. Desperta Ferro tends to focus on males aged 30–50, in Spanish-speaking regions.

The company reported the main advantages of social media as cost, targeting and ease of use. Coverage on other channels, such as radio or TV ads, would be less targeted and more expensive (perhaps a 500% cost increase).

The key costs of social media were that it was time-consuming (it requires constant monitoring to respond to customers and add content). However, a successful post could result in an increase in followers (perhaps 300 for an interesting new article). Platforms lack coverage for all of Desperta Ferro's customer base (many of whom are aged over 50 and not Internet-savvy). This means that offline marketing is needed. However, 25–30% of its customers are connected to it through social media. 5% of its sales come from outside the EU, where it does not have alternative marketing. Platforms allow interactions with customers, and the company believes that it is able to use this to engage more effectively with customers than its competitors. For a niche product such as this, the company suggested that it might not exist without platforms.

Interview with Julien Akita and Christian Larger of Pango Studios

Studio Pango⁶⁶ (referred to as 'Pango' in this section) is an independent technology developer based in France. Pango specialises in the development of interactive apps for children, sold through Apple's 'App Store' (~60% sales), 'Google Play' (~33% sales), 'Amazon Appstore' and Microsoft's 'Windows Store' (~7% sales combined). Pango's games are translated into eight languages including Chinese and Japanese, English and French. All apps feature the character 'Pango', an animated racoon. A relatively recent start-up, Studio Pango was founded in 2012 and has a turnover of €160,000 per year, making the developer one of the smaller and newer companies focusing on apps for children. The market leader is 'Toca Boca', ⁶⁷ a subsidiary of the Swedish media group, Bonnier.

Pango's marketing strategy is to target parents and grandparents (rather than children directly), promoting the benefits of its range of apps. The company targets sales growth across the world. As part of this, Pango has imminent plans to expand with an office in the USA. (The interviewees estimated that the USA represented 55% of the global addressable market.)

Pango Studio's marketing budget reflects it current status as a small business. The main expenditure is a €600 monthly fee paid to a PR agency to promote Pango's products. The interviewees both reported that maximising the effectiveness of their marketing spend is critical to Pango. To achieve this, Pango Studios adopts an 'experimental' approach to marketing, trying various approaches (across online and traditional media) and monitoring the impact of each on Pango's app sales.

Online platforms play a crucial in role enabling this strategy. The effectiveness of marketing campaigns is tracked using 'App Annie', ⁶⁸ an online analytics platform that aggregates data from all the sales portals used by Pango. This has allowed Pango to focus its marketing activities. For example, the interviewees reported that Pango launched a campaign in the magazine *Elle* which was highly successful in increasing app sales. A similar advertising campaign through the online site of the same magazine was much less effective. The interviewees considered that this was because a greater proportion of the readers of the physical magazine were parents (and therefore were a better match in terms of demand for Pango's app).

Alongside traditional media, Pango makes use of online platforms for advertising purposes. A particularly effective method has been sponsored 'listing' on the main page of the Apple App Store (reported to have increased sales to 1,000 times their usual level for the duration of the listing) and Google Play. The different app stores also allowed different offers and pricing strategies to be used simultaneously.

The company also makes use of social media, primarily to engage with its existing customers. The interviewees noted that generating new content for these platforms could be time-consuming, although it was important to engage with customers regularly.

In this sense, this case study provides an example of how online platform can increase the effectiveness of both online and traditional marketing activities by providing companies that distribute their product using online platforms with fast

 $^{^{66}}$ See $\underline{\text{http://www.studio-pango.com/en/}},$ accessed 18 September 2015.

⁶⁷ See http://tocaboca.com/about/, accessed 18 September 2015.

⁶⁸ See https://www.appannie.com/, accessed 18 September 2015.

and accurate data demonstrating the impact of those activities. Indeed, this speed of movement was such that it was also perceived as a disadvantage, creating a need for continual monitoring.

Nevertheless, without online platforms, the interviewees indicated that Pango would rely on traditional PR firms and TV advertising for its marketing. Compared with this counterfactual, the interviewees reported that online platforms had reduced the cost of marketing, allowed Pango to reach more people (Pango apps have been downloaded in 120 countries), and accelerated the growth of the firm (the cumulative sales of apps stand at more than 700,000).

Interview with Grzegorz Berezowski, CEO/Chairman of NapoleonCat

NapoleonCat is a Poland-based social media marketing company selling services to other businesses and has been in operation for about 4.5 years. Specifically, it sells a marketing package that provides social media monitoring and analytics for businesses. NapoleonCat use social media marketing itself to find customers, as well as direct marketing. It has annual sales of approximately 1m PLN (equivalent to €250k). Its sales come from Poland (70%), and South America (15%), with other markets accounting for the remainder.

NapoleonCat uses Facebook, Twitter, Instagram, YouTube and Google+ as its primary marketing online platforms. It focuses on organic content and traffic marketing, and does not use any paid marketing through social media. It generates around 50% of its sales through online platforms, with the remainder coming from direct sales. For a social media marketing business such as NapoleonCat, the use of social media has had a profound impact on its business. It would have had difficulty in reaching markets outside of Poland without the use of online platforms.

A8.3 Recruiting staff

Interview with Karin Turner, Recruitment Manager at PwC

The company recruits experienced hires as well as running a graduate recruitment programme. This interview was focused on the former. The business recruited around 2,603 hires in the last financial year from around 80,000 applications.

PwC vacancies are advertised directly on the company website, LinkedIn, Monster and other job search sites; through *The Guardian* and other papers; at events such as open evenings; and through media ads (including Adwords). It also runs a direct referrals programme, which offers £10,000 if a referral is hired. Strength of the brand means that PwC's own careers website acts as advertising. PwC actively approaches experienced potential applicants.

LinkedIn is used because of its prevalence and ease of use. The company can either post ads that can be directly targeted at potential candidates, or use LinkedIn as a search tool. Around 80% of hires are sourced through LinkedIn at a significantly lower cost than through recruiters and print advertising. LinkedIn also allows both the hiring business and recruitment consultants to reach a wider range of candidates, with less reliance on local networks.

The cost of recruitment varies significantly depending on the channel. Through a recruiter, the average is around 20–25% of salary in the private sector. Karin suggested that her previous experience in the civil service was that they would typically pay only 6% of salary (lower than the industry standard). An

advertisement in a national paper costs £3,000–£18,000. This also requires print deadlines to be met, and is not considered as effective because there is no guarantee that the right audience will see the posting. By comparison, an online ad might cost £500. That said, professional networks such as LinkedIn also make it easier for a candidate to apply, meaning a larger volume of applications for the company to review and process.

In addition to the professional networking platforms and job posting sites, PwC uses applicant tracking systems, which take in information on candidates and allow a prospective employer to store information on a candidate throughout the recruitment process (and beyond). The information is currently stored within PwC's own networks, but has the potential to be exported and hosted by an external business and accessed virtually. Such systems have the potential to reduce the administrative costs of information processing/management significantly, as well as opening up opportunities for outsourcing certain functions, such as CV screening. Psychometric testing that can be done virtually can cost approximately £15 per candidate, as opposed to an in-person test which would cost approximately £500–£1,000 per candidate.

The respondent also mentioned the use of videoconferencing platforms (Skype) for early-stage interviews. While many companies do not reimburse travel costs (meaning that there is no direct saving to the hiring business), videoconferencing could increase the pool of available candidates, although it is not as useful as a face-to-face interview. Karin indicated that a candidate from the USA was considered and interviewed virtually, but will be flown into the UK office for a final interview.

Interview with Sarah Magnell, Executive Search Consultant at Saxton Bampfylde

Saxton Bampfylde is a UK-based executive search firm specialising in recruiting senior executives and non-executives. Its clients are primarily UK-based, but it also has clients globally.

Saxton Bampfylde generally serves its clients relatively infrequently, as CEO turnover is about 3–5 years as an industry average. Its clients pay a fee of 28–30% of first-year salary, including bonuses (which is standard across the industry).

Some searches are conducting using both research and advertising. Vacancies are posted in *The Sunday Times*, *The Guardian*, and other papers. (The *Financial Times* has executive appointments sections; industry websites have their own postings sections.) Advertising is cheaper through online portals. Print versions of *The Sunday Times* can run to around £3,000–£4,000, whereas a digital version can be around £1,500.

Researchers use a database called Filefinder, which has information and history of contact with a host of executives. The information for this is often extracted from LinkedIn or other platforms such as Bluesteps, as well as telephone conversations with individuals. Researchers add further details from the Internet on market information, client competitor information, etc., through sites such as Google.

In addition to using the candidate records fed into Filefinder, other sources of candidates include platforms such as the Association of Executive Search Consultants, Bluesteps, and subscription-based services, such as those provided by Dunn and Bradshaw.

It is quick to find candidates via LinkedIn and to do an initial sift using work history and other information. LinkedIn also makes it easier to connect with candidates since contact can be direct rather than through a switchboard or PA. However, the overall cost of research was largely unchanged by online platforms, and the outcomes are similar. Senior vacancies draw from a small candidate pool and suitable individuals are generally well-known in their respective industries. LinkedIn also requires a degree of honesty, as there is limited scrutiny of information.

A8.4 Funding

Interview with Rob Robinson, Founder of Notes

Founded in 2010, Notes is a speciality coffee, food and wine company, with five branches in London and a coffee roaster. It was founded using equity capital with an initial investment of around £160,000 to open the first branch. Subsequent branches were opened at a cost of £200,000 each, all using additional equity investments.

Notes has recently completed a fundraising campaign using Crowdcube. The objective was to open three more stores around Central London and move the central production plant to a new location, including an office unit, and to allow for growth and efficiency improvements. The funding campaign raised £900,000 from a target £850,000 from 368 investors, with existing owners contributing the first 20% of this. The company noted that some of the investors were also customers.

Crowdcube was chosen for this study on the basis of its suitability for equity investments. (Kickstarter was considered more focused on charities by Notes' management.) The successful experience of other similar London-based startups, such as craft beer company, Brewdog, convinced Notes' management that crowdfunding could be a suitable way to raise funds for its expansion. The valuation of the company was also considered higher through a crowdfunding equity issue. Rob suggested that the equity cost was around a third of the last expansion (although the business has developed significantly since then). While it might have been possible to raise the same capital without crowdfunding, it would have taken considerably longer (around three times).

Rob suggested that the uncertainty associated with crowdfunding is a potential drawback, as is the time taken to correspond with potential investors. The fees for using the platform (around 5% of the funds raised) were also significant. Notes intends to use bank debt to fund its next expansion, although this is primarily to avoid additional equity dilution.

Interview with Johannes Pramsohler, Founder of Audax Records and Artistic Director of Ensemble Diderot

Founded in 2009, Ensemble Diderot is an orchestral group based in France. It sells about 2,000 CDs a year and performs about 50 concerts, with attendances ranging from 150 to 3,000 people. The group's Artistic Director, Johannes Pramsohler, is also the founder of Audax Records, a classical music label.

Previously Ensemble Diderot has made use of alternative ways to raise funds, including concert income and private sponsorship. It used crowdfunding to finance its last two recordings, with the most recent one raising around €6,000 from around 80 supporters. The group has used both Kickstarter and more

recently Startnext. Startnext was chosen on the basis of its profile in Germany (which is where the administrator of the funding campaign is from). Although during the interview it was noted that other, more specialised platforms are available (e.g. funding platforms that specialise in classical music), these were not chosen as they were seen as too niche. Donors received a signed copy of the album in exchange for their contributions.

Johannes suggested that the main advantage of using crowdfunding was the certainty of having the donations as they were pledged. However, the administrative burden of responding to questions from large numbers of donors was significant. The group also hoped to generate publicity from the funding campaigns, but this did not materialise. It noted that the majority of the donations came from individuals linked through social media. It was also noted that the use of Startnext caused some administrative difficulties for donors outside Germany as currency conversion and certain English translations were difficult to follow. There was a minor benefit from reaching people outside of their usual networks; out of approximately 80 funders on the first project, five were complete strangers to Johannes, implying that the remaining funders were friends or family who would have otherwise purchased the CD.

The group intends to continue using platforms to raise funds for its next project although without a crowdfunding platform. Specifically, it intends to set up a pre-sale for the finalised album at a discount, through a mechanism called 'digital product delivery', which takes care of payments and delivers the music through shipping or electronically.

Business benefits literature review A9

A9.1 Paths to and off Purchase: Quantifying the Impact of Traditional Marketing and Online Consumer Activity (Srinivasan, Rutz and Pauwels, 2015)69

This paper examines the impact of consumer activity online on sales and on the relationship between more traditional marketing and sales. The focus is fastmoving consumer goods (FMCGs), such as soft drinks and toiletries. The paper aims to place online marketing in a broader context alongside traditional marketing activities, in order to set up a framework for analysing modern paths to purchase. Srinivasan et al. quantify the role of different marketing activities on sales and assess the potential in tracking consumer activity online.

However, it has some limitations: the data comes from a single US manufacturer (albeit, a leading brand). The focus is also on one specific consumer market (FMCGs), with low involvement.⁷⁰ More importantly, the use of platforms is passive and not comprehensive (our focus is active use of platforms for marketing purposes).

The results suggest that TV advertising explains only 5% of the change in sales volume, whereas online marketing explains 15% collectively. 71 The paper found that paid search clicks, website visits and new Facebook likes all affect sales volumes to a greater extent than more traditional TV advertising. A doubling of new likes on Facebook was found to increase sales by 15.7% (according to the long-term elasticity estimated), or, expressed more simply, each new like results in a 1.8% increase in sales volume after three weeks.

The benefits of online crowdfunding for fund-seeking business ventures (Macht and Weatherston, 2014)⁷²

This paper aims to summarise the existing literature on crowdfunding, with a focus on the benefits (and potential drawbacks) for businesses. The authors of the review have two audiences in mind: practitioners, particularly fund-seeking entrepreneurs, and researchers/academics.

The paper explains the emergence of the crowdfunding industry as a bridge between internal funders (founders, friends and family) and formal external investors (venture capital and banks).

Although angel investment is a credible alternative to crowdfunding, as angels invest in businesses similar amounts to those of crowdfunding, crowdfunding can offer benefits over angel investments and other traditional investors. Unlike angel investment, crowdfunding investment is not limited to high-growth-potential businesses only. Success in raising funds is thought to be more likely on crowdfunding platforms ('business angels' invest in only 8% of the deals they encounter).

Crowdfunding offers a geographical expansion of opportunities over other forms of investment—on average, entrepreneurs and investors are 3,000 miles apart

contemplation by consumers prior to purchase (e.g. toothpaste).

⁷¹ Online owned accounted for 10%, (un)earned accounted for 3%, and paid media accounted for 2% of t path to purchase. ⁷² Macht S.A. and Weatherston, J. (2014), 'The Benefits of Online Crowdfunding for Fund-Seeking Business

⁶⁹ Srinivasan, S. Rutz O.J. and Pauwels, K. (2015), 'Paths to and off Purchase: Quantifying the Impact of Traditional Marketing and Online Consumer Activity', Journal of the Academy of Marketing Science, January. 70 Low involvement meaning that the product is relatively mundane, requiring minimal effort and

Ventures', Strategic Change, 23:1-2.

(on crowdfunding platforms);⁷³ whereas business angels tend to invest within an hour's drive time of the office or home.⁷⁴

Crowdfunding also offers new flexibility and opportunities. For example, it gives entrepreneurs the option to retain equity and control of the business when raising funds, if they wish. It also enables entrepreneurs to access the 'wisdom of the crowd' in obtaining feedback, and stronger word-of-mouth promotion from investors. Crowdfunding may reduce the cost of raising capital—only 78% of crowdfunding investors obtain rewards, financial or non-monetary, for their investment, with many acting as donors.⁷⁵

This paper highlights some of the downsides of crowdfunding. Concerns were cited about the (lack of) protection for intellectual property and the exposure of commercially sensitive information to rivals at a vulnerable time. Also, some platforms have an 'all or nothing' approach to investments, which means that there is a risk that efforts in generating interest may not be rewarded. In addition, crowdfunding sites may have large transactions costs due to the number of parties involved in the fundraising, as well as charges incurred during the processing of investments.

A9.3 Impact of online reviews of customer care experience on brand or company selection (Karakaya and Barnes, 2010)⁷⁶

This paper considers consumers' experiences in using social media platforms and online communities, with regard to customer care and brand selection. The approach is to use survey data to establish uses and attitudes to online communities. In spring 2008 320 consumers in the USA were surveyed.

The work is relevant to this study as it links directly to the marketing business process. It is important to note the limitations of the study, which is focused on US consumer benefits and with a limited sample size.

The findings suggest that electronic word of mouth is not as effective as traditional face-to-face word of mouth, despite its prevalence.⁷⁷ In the face of this it has been found that purchase intention increases as the quantity and quality of online reviews increase.⁷⁸

Specifically, the paper tests whether consumer engagement with online activity has a positive impact on decisions about choosing companies or brands. The results of the confirmatory factor analysis show that there is indeed a strong positive relationship between consumer engagement in online activity and consumers' decision to choose companies based on the consumer care experience shared online. It is also interesting to note that, on a scale of 1 to 5, blogs scored an average of 3.24 and social networks scored 2.5 in terms of value to customers in forming opinions and customer care. However, the value placed on companies' own sites was given as 3.11/5, and is not statistically different from the values for online platforms.

⁷³ Agrawal, A. Catalini, C. and Goldfarb, A. (2011), 'The geography of crowdfunding', NBER Working Paper No. 16820.

⁷⁴ Harrison, R.T., Mason, C.M and Robson, P.J.A. (2003), 'Determinants of long-distance investing by business angels', *Entrepreneurship and Regional Development*, **22**:2, pp. 113–37.

⁷⁵ Bellflamme, P., Lambert, T., and Schwienbacher, A. (2013), 'Individual crowdfunding practices', Venture Capital: An International Journal of Entrepreneurial Finance, **15**:4, pp. 313-333.

⁷⁶ Karakaya F. and Barnes, N.G. (2010), 'Impact of online reviews of customer care experience on brand or company selection', *SSRN Electronic Journal*, February.

⁷⁷ Sen, Ś. (2008), 'Determinants of consumer trust of virtual word-of-mouth: an observation study from a retail website', *The Journal of American Academy of Business*, **14**:1, pp. 30–5.

⁷⁸ Park, D., Lee, J. and Han, I. (2007), 'The effectiveness of online consumer reviews on consumer purchasing intention: moderating role of involvement', *International Journal of Electronic Commerce*, **11**:4.

A9.4 2015 social media marketing industry report: How marketers are using social media to grow their businesses (Stelzner, 2015)⁷⁹

This publication surveys over 3,700 marketers about their use of social media to grow and promote their businesses. The survey takes in both B2B and B2C marketers across many different industries, and is US-focused (52% of respondents).

The report provides quantitative information about how businesses use social media for marketing, and reports statistics on some of the benefits of these practices. It focuses on online social media platforms rather than more general online marketing. The primary limitation of the report is its US-centric approach.

Some notable statistics are:

- 92% of marketers said that social media was important to their business;
- 42% stated that they are able to measure return on investment in social media marketing;
- 84% have integrated social media with traditional marketing activities through Facebook ads;
- 90% agreed that social media marketing increased exposure;
- 69% indicated that social media marketing helped to develop loyal fans;
- 77% stated that they had increased traffic through social media marketing;
- 65% said that social media marketing generated leads;
- 51% agreed that social media marketing improved sales;
- 50% agreed that social media marketing reduced marketing expenses;
- Facebook was the most important platform for 52% of respondents, followed by LinkedIn (21%) and Twitter (13%);
- for B2B marketers specifically, LinkedIn became the most important (41%) over Facebook (30%).

A9.5 2014 social recruiting survey (Jobvite, 2014)80

This survey of 1,855 recruiting and HR professionals was conducted by Jobvite as the 7th edition of its annual survey. The survey's primary limitation is its focus on US platforms.

The survey provides information on the state of the industry and the use of online platforms for recruiting. The statistics of particular importance to this report are given in response to the question: 'Since implementing social recruiting, which of the following have improved?' The results (in terms of number of respondents) are as follows:

quality of candidates: 44%;

quantity of candidates: 44%;

⁷⁹ Stelzner, M.A. (2015), '2015 Social Media Marketing Industry Report: How Marketers are using Social Media to Grow their Businesses', Social Media Examiner.

⁸⁰ Jobvite (2014), '2014 Social Recruiting Survey'.

• time-to-hire: 34%;

employee referrals: 30%.

A9.6 A labor market that works: connecting talent with opportunity in the digital age (McKinsey & Company, 2015)⁸¹

This research aims to build a deeper understanding of how online recruitment platforms can affect labour markets and business practices. The work is focused on online platforms, with a section dedicated to the impact on businesses.

The research was carried out with help and data from Burning Glass, Uber, Google, The Conference Board and Evolv, as well as publicly available data sources. Much of the report focuses on projections to 2025 (abstracting from the recent global recession) when Internet penetration is expected to be much higher. McKinsey constructs six 'model businesses' which aim to be representative of typical businesses. These case studies include a professional services firm, a high-tech firm, a hospital, a retail chain, a mid-sized manufacturer, and a retail bank. The report also focuses on the economies of Germany, the UK, the USA, India, Brazil, China and Japan. The primary limitation of the report is the lack of a specific focus on European markets.

The constructed model companies were used as the basis for the business benefits statistics, along with annual reports, financial statements, expert interviews and Bureau of Labour Statistics for similar firms and determined employee characteristics. In its construction, McKinsey considered output, labour costs, training costs, recruiting costs, and retention and outcome metrics.

The report also considers online platforms to include infrastructure, which in our report we would consider to be a function of internal management; as such, in some cases, the benefits solely from a recruitment point of view may be overstated.

The headline figure reported by McKinsey is that online recruitment platforms could add \$2.7tn (2%) to global GDP by 2025, according to their supply side analysis. ⁸² It predicts that 60m people in the workforce could benefit from better job matches and 230m could benefit from shorter job search periods. The average reduction in job search times is thought to be 45% (44% in the UK and 44% in Germany) according to survey respondents. Average search time varies by country, from 8 to 13 months (in the focus countries).

One conclusion in the report is that there is additional clarity from online recruitment platforms through their data collection and mass aggregation of job seekers and employers. It is thought that the increased clarity of labour demand will improve the allocation of some \$89bn of spending in tertiary education (in the focus countries of Germany, the UK, the USA, India, China, Japan and Brazil). The benefits of online platforms in labour markets are also expected to enable a 9% reduction in public spending on labour market programmes.

The construction of the report uses benchmarks for recruitment costs of 10–40% of annual salary, depending on the characteristics of the desired hire. It is also

⁸¹ McKinsey Global Institute, McKinsey & Company (2015), 'A labor market that works: connecting talent with opportunity in the digital age'

opportunity in the digital age'.

82 See McKinsey Global Institute, McKinsey & Company (2015), 'A labor market that works: connecting talent with opportunity in the digital age', p 6.

determined that there is a 75% saving in costs when hiring from an online platform compared with using a head hunter to find talent.⁸³

Based on its stylised case studies, McKinsey expects output to increase by up to 9% and HR costs to fall by up to 7%. The average improvement in company profit margins is thought to be 275 basis points. The impact will be greatest for high-tech and professional services companies because of their need for expensive, specialised and hard-to-find talent.

The biggest positive impact on profits (on average) is expected to be from finding better candidates (adding 80 basis points to profit), followed by use of candidate data for better assessment (35 basis points), and the discovery of hard-to-find niche talent (10 basis points). Survey results show that 38% of top-performing hires were from online talent platforms (top performers are estimated to be at least 2.5 times more productive than average workers). More minor impacts are the ability to filter and select interviewees, and to tailor the approach to each desired hire (each adding 5 basis points to profit).

Finally, McKinsey reports external case studies: Wells Fargo reduced teller attrition by 15% and personal banker attrition by 12% when it introduced a system that tested candidates online prior to interview. Xerox reduced new hire attrition by 3% and improved the productivity of call centre staff by 4% with the addition of a 30-minute online screening test to its recruitment process.

A9.7 Assessing the Benefits of Social Networks for Organizations (European Commission Joint Research Centre, 2013)⁸⁴

This report identifies three broad categories of benefits to businesses associated with the use of social media:

- improved communication among employees and between employees and clients;
- improved business processes;
- improved performance.

These benefits have been drawn from a series of workshops and interviews (in person or online) led by the European Commission with several CEOs, business leaders, managers, consultants and other senior executives.

The report finds that social networks empower businesses and make them grow; networks facilitate the growth of these businesses in various other sectors of the economy—particularly important for small and medium-sized enterprises (SMEs). They are also able to reach a larger audience in a more targeted way; enlarge their client base beyond borders; and link different economies and countries. Social networks also lead to new job creation, and connect users, organisations and public institutions. They create the infrastructure for a common place to store information.

The study also presents some of the risks associated with the use of social platforms for businesses; this potentially allowing conclusions to be drawn about the net benefits, if any quantification of both risks and benefits can be undertaken.

⁸³ McKinsey Global Institute, McKinsey & Company (2015), 'A labor market that works: connecting talent with opportunity in the digital age – Appendix: Technical notes', p. 23

opportunity in the digital age – Appendix: Technical notes', p. 23.

84 European Commission (2013), 'Joint Research Centre Technical report: Assessing the Benefits of Social Networks for Organizations', Report EUR 25928 EN.

The report is extensive and discusses the following impacts:

- · benefits to employees;
- · benefits to customer engagement;
- benefits to external partners, such as suppliers and other businesses;
- knowledge management, knowledge sharing, learning;
- breaking silos, flatter organisations;
- better collaboration, new way of working;
- the 'humanising' of organisations;
- efficiencies and working in a more effective way;
- open innovation and crowdsourcing;
- customer intimacy, more personal interactions, fostering customer engagement;
- more effective marketing and communication, creating new market opportunities.

A9.8 2015 Global Recruiting Trends (LinkedIn, 2015)85

This publication sets out the benefits perceived by business leaders in terms of ease and quality of recruitment. The conclusions of the study are based on the data from LinkedIn's survey of global talent recruiters. It covers a wide range of countries including the UK, France, the Netherlands, Spain and Germany. The survey respondents are talent acquisition professionals.

Based on the survey:

- in 2014, for 38% of the organisations surveyed, their top source of quality hires was from social professional networks;
- in 2014, 61% of leaders found that online professional networks were the most effective tool in marketing and promoting the brand of the organisation;
- in 2014, 56% of global leaders saw the promotion of their brand as a top priority for the company.

Among some of the benefits quoted in 2015 by the business leaders surveyed:

- online professional networks allow them to target more precisely the talents they are interested in, at a larger scale and with a larger scope;
- about 40% of global talent leaders attribute to social professional networks the quantity and high quality of hiring.

To recruiting leaders, talent brand is key to recruit top talents; they attribute 75% of their ability to hire great talent to it, and 61% of employers in 2014 considered professional platforms such as LinkedIn to be the most effective tool in promoting their brand. Additionally, 37% of recruiters surveyed believe

⁸⁵ LinkedIn (2015), '2015 Global recruiting trends: 4th annual report'.

that online platforms, whether social or professional, are the most essential in recruiting for their organisations.

A9.9 Advantages and disadvantages of internet recruitment: A UK study into employers' perceptions (Verhoeven and Williams, 2008)86

This paper presents the advantages and disadvantages of online recruiting. The authors base their analysis on a survey with a sample of 83 HR professionals. An important caveat to this paper is that it considers the impact of all recruiting through the Internet, and is not limited to activity through online platforms.

A few relevant statistics:

- cost saving and efficiency: 27% of respondents declared that the Internet allowed them to be more efficient, and contributed to significant cost saving for their businesses:
- 36% of respondents declared that these costs were lower than the non-online counterfactual, against 15% who disagreed;
- 24% of respondents declared that the Internet allowed them to save time in the recruitment process; 24% of the respondents also disagreed with this statement.

A9.10 Benefits and barriers of electronic marketplace participation: an SME perspective (Stockdale and Standing, 2004)⁸⁷

This literature review contains a discussion of the potential benefits of emarketplaces from the perspective of an SME as well as an exposition of the business models available.

The paper identifies the following benefits of online marketplaces from others:

- access to a wider range of markets;
- · greater potential for partnerships;
- flexibility in administration and communication;
- convenience (24/7 accessibility);
- information;
- improved customer services;
- · updating of information;
- lower transaction costs;
- differentiation of products and services/customisation;
- ability to enter supply chain for larger companies.

Verhoeven H. and Williams, S. (2008), 'Advantages and disadvantages of internet recruitment: A UK study into employers' perceptions', *International Review of Business Research Papers*, 4:1, pp. 364–73.
 Stockdale, R. and Standing, C. (2004), 'Benefits and barriers of electronic marketplace participation: an SME perspective', *Journal of Enterprise Information Management*, 17:4, pp. 301–11.

In addition to the benefits, the authors consider a range of barriers to SME engagement in online marketplaces, including fees as well as internal factors such as a lack of understanding of the environment and a failure to understand their position as part of a longer supply chain for B2B transactions.

Some of the concepts introduced in the paper are not entirely relevant to online platforms. For instance, the authors note that one of the potential barriers to SME participation could be a lack of a standardised framework for buyers and sellers, which could deter businesses from committing to particular software standards. This is unlikely to be an issue for online e-commerce platforms, where the sellers are not generally required to provide any back-end infrastructure themselves.

Perhaps more importantly, the authors appear to conduct their analysis against a counterfactual of offline sales as opposed to other forms on online participation. This is a limitation of the paper in terms of assessing the benefits of online platforms as defined in this study. However, it also raises an important issue about the costs and barriers associated with transitioning from offline sales to online (including platforms) sales.

A9.11 Crowdfunding: tapping the right crowd (Bellflamme, Lambert and Schwienbacher, 2013)⁸⁸

This paper uses a theoretical model of crowdfunding to determine whether an entrepreneur would choose a platform that offers a non-monetary return, such as a pre-order of a product, or a platform that offers a return on equity through profit-sharing. As a result, it offers some testable predictions, but does not draw any empirical conclusions. The model assumes that from an investor's perspective there is uncertainty about the quality of a project before the investment is made, while the entrepreneur may or may not have information about the quality of the project before investors; thus allowing the authors to test predictions about both information asymmetry and moral hazard. One of the primary conclusions of the paper is that crowdfunding through a profit-sharing model may be an effective signal about project quality.

⁸⁸ Bellflamme, P., Lambert, T. and Schwienbacher, A. (2013), 'Crowdfunding: tapping the right crowd', *Journal of Business Venturing*, **29**:5, pp. 585–609.

