Competition - Estonia

Competition Board Clears Merger of Two Leading Directory Media Companies

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After conducting a thorough analysis of the directory media market, the Competition Board has unconditionally cleared a merger between two leading Estonian directory media companies which will result in a joint market share of 66%. The decision is significant because of the issues surrounding the board's market definition and its consideration of the Internet as a valuable alternative to traditional information sources.

Both of the merger participants print yellow pages directories and operate internet directories and directory assistance services over the telephone. The Competition Board had cleared a similar merger three years ago, defining the relevant market to be the directory media market for yellow pages services, internet directories and directory assistance services. However, the parties to this latest merger claimed that since then the markets had changed considerably, and therefore that the previous market definition was not applicable.

The board conducted thorough market analysis, including requesting information from the competition authorities of other EU member states. This research revealed that there is no unified market definition for 'directory media services', as the situation differs in each member state. The market definitions collected by the Competition Board varied from a general definition of 'directory media' to a detailed separation of markets for regional telephone directories, business-to-consumer directories, business-to-business directories and internet advertising. The Competition Board found the greatest similarity with the Dutch directory media market and a Dutch competition authority decision to clear a merger of two major directory media companies. Although the Dutch authority left the market definition open, it stated that the directory media market is in strong competition with worldwide internet search engines such as Google and Yahoo!.

Eventually, the Competition Board took the view that the relevant market was the directory media services market. Although the merger would lead to a joint market share of 66%, the board took into account the fact that the Internet is a significant alternative information source. Therefore, it concluded that the majority market share that would result did not pose a serious threat to the directory media market as the Internet - and in particular worldwide search engines such as Google, Yahoo! and Bing - had to be taken into account when assessing alternative sources and present and future trends on the market. Thus, after the second phase of investigations, the merger was cleared and no conditions were imposed on the parties.

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