Competition Commission

Archant/Independent News and Media

An IPA response to the Competition Commission request for views on the proposed acquisition by Archant Ltd of the London newspapers of Independent News and Media plc

May 2004

Competition Commission – Archant/INM Inquiry

The IPA welcomes the opportunity to submit views on the proposed acquisition by Archant of a range of INM newspaper titles in the London area.

1 About the IPA

1.1 The Institute of Practitioners in Advertising is the trade association and professional institute for UK advertising, media and marketing communications agencies. Our 222 corporate members are primarily concerned with providing strategic advice on marketing communications, including creating and/or placing advertising. Based throughout the country, they will be responsible for over 80% of the UK's advertising agency business with an estimated value of £9 billion in 2003.

1.2 The appropriate and cost effective placement of media is as critical to the success of an advertising campaign as the advertising message itself – and we are thus extremely interested in any changes of media ownership which might affect beneficially or otherwise the quality of the station or publication concerned - or their relative strength within the marketplaces in which they operate.

1.3 In this context, the IPA has already been involved in the submission of numerous papers to the competition authorities in relation to a whole range of proposed acquisitions/mergers.

1.4 In view of our position as the trade body for UK advertising agencies, our response has inevitably been made from the viewpoint of advertisers buying space through a media agency, rather than advertisers booking directly. Having said this, where appropriate we have drawn attention to certain circumstances, where advertisers buying directly would be particularly affected by the proposed move.

1.5 The Competition Commission will be aware of the IPA's earlier submission to the OFT on this area. This paper repeats the arguments put forward in that document.

2 What tests do we apply when confronted with a merger or acquisition?

2.1 As the Competition Commission will be aware from earlier IPA submissions on the local press and elsewhere, in formulating our views with regard to any takeover, we are keen to discover whether the proposed move would be likely to result in the new body holding what we should view as a dominant – and therefore potentially dangerous – position in any given market.

2.2 This position is assessed in our terms, via three key criteria:

- the overall market share likely to be controlled by the new group, in this instance expressed in terms of total weekly circulation;
- the extent to which the proposed acquisition of the titles in question would overlap with existing publications owned by the acquiring company and thereby potentially create a local monopoly of available media in the category, with a consequent danger of abuse;
- the extent to which, in overall terms, alternatives might exist for advertisers to the portfolio of titles likely to be created as a result of such a move.

3 How does the proposed acquisition compare against these criteria?

3.1 At a national level, the acquisition would not appear to present advertisers with a problem.

While Archant is a top-ten local press publisher in terms of weekly circulation, it is far smaller than the top four local press publishers. The acquisition of the INM London Regional Newspapers titles would move Archant up into sixth place in terms of weekly circulation, moving above the Guardian Media Group. However to put this in context, the total weekly circulation of Trinity Mirror – the largest local newspaper publisher, would remain more than five times that of the enlarged Archant local press portfolio, which would account for approximately 4.5% of the entire local newspaper audited weekly circulation.

3.2 Similarly, on regional/macro basis, we would not be concerned by this move.

At a macro level, the existing Archant titles in London have already joined forces with Trinity Mirror - who have a far larger presence in London - to form the "Capital Package". This package, made up of all Trinity Mirror & Archant local titles in London sells against the Evening Standard, Metro and a competing "London Package" comprising the local London titles published by Newsquest. The aim of these packages is to sell coverage of the capital, as a whole, rather than any smaller area in London. If, upon acquisition of the INM titles, Archant added these titles to the Capital Package, this would strengthen the latter. However the incremental gain would be minor given the overall scale of the packages. Additionally there would be many and varied alternative ways of reaching Londoners as a whole.

3.3 However, while the proposed acquisition might give little cause for concern on a national or regional basis, there would be significant disquiet in certain areas at a local level.

In Newham, Stratford, Hackney and Islington, Archant would hold a full or nearly full monopoly in the local press. This would represent a major lessening of competition, which could impact upon local advertisers for whom local press advertising is an integral part of their marketing. Barking is also an area of concern; where the monopoly situation is not quite as pronounced, however the acquisition would still represent a significant reduction in competition.

The actual impact of these monopolies will vary by advertiser type.

Although display advertisers (ie those placing "standard" advertising) would be affected, the presence of other media types (eg leafleting, local posters etc) – while imperfect to their needs – could give them some leverage in their negotiations with the local newspapers.

The position of classified advertisers, however, would be far more precarious.

For local recruitment, property and motors advertisers the local press classified pages are a vital medium. Alternative advertising-only publications do exist, however the local papers are a key source of information used by local people looking for employment, housing and cars. The concern is that many local clients would be very hard pushed not to advertise in their local newspaper, and hence the formation of a local press monopoly in their area could be detrimental for them.

Appendix 1

Notes on substitutability and other issues drawn from our responses to specific questions from the OFT

Question

1. Which other publications or alternative media would you consider are a practical and financially viable substitute to local newspapers? In particular:

   a. Local authority published newspapers
   b. Regional advertising only publications
   c. Regional newspapers such as the Metro and Evening Standard
   d. Other media.

Response

1a. Not a practical substitute. The key stumbling block is that local authority newspapers in general are published far less frequently than local newspapers. In addition there is little or no auditing of circulation or readership of these titles, which we see as extremely important to guarantee their value to our clients. Finally, these titles are not as consolidated as local newspapers – it is far harder for agencies to plan and buy campaigns using these titles.

1b. Not a practical substitute. There may be certain client sectors (e.g. motors, recruitment and property) for whom these might constitute a second-rate alternative, however these are not relevant environments for the vast majority of our clients. Additionally, these publications generally cover far larger areas than local newspapers, and advertising in them would give very high wastage levels for most locally focussed clients.

1c. Not a practical substitute. There are three key issues – geographical footprint (wastage), capital cost and penetration (% cover). Firstly, as both titles circulate throughout London and beyond, they give huge wastage for most local advertisers, who wish to reach a target audience located in a much smaller area within London. This has the additional effect that the capital cost to advertise in these titles is far higher than with local newspapers, as the advertiser has to pay to reach the entire readership of the title, whether in their geographic target area or not. Finally, the average penetration of these titles in any one area of

London is generally far lower than that of local newspapers.

1d. There is no, one, other medium that could be used as a viable substitute. Outside London, where local radio broadcast areas more closely match local press circulation areas, local radio could in some areas be considered an alternative for display advertisers, depending upon the strength of the relevant station. However the radio situation in London is very different – almost all London stations broadcast throughout Greater London. In this instance a similar argument applies to the situation with the Metro and Evening Standard. Huge wastage, high capital cost and low penetration mean that radio is not a practical substitute.

A combination of other local media, such as poster advertising, household leafleting and face-to-face leafleting could be used to some effect, however we would not consider these to be a replacement to local press advertising. It is also worth noting that the vast majority of household leafleting is booked through the local newspapers themselves, via their free newspaper delivery network.

Question

2. Would your answer to question (1) change if prices of all local newspapers increased by 5% to 10%. If so please list which alternatives may become viable alternatives if this occurred.

Response

2. No. Local press advertising is generally substantially more expensive on a cost-per-thousand-people-reached basis than the other media routes listed in question 1. Despite the higher cost it is generally chosen (amongst other less quantitative reasons) because of the high cover given, and the ability to target geographically. An increase in price of the order of 5%-10% will have little effect on the relative cost-efficiencies between the media routes.

Question

3. In terms of the practicalities of purchasing advertising from local newspapers, please could you explain the following:

3a. The length of time over which advertising is purchased, are these typically one off contracts for a single publication, or more lengthy contracts?

3b. Do customers negotiate directly with the publisher over the price? If so, which factors can be used to improve the advertiser's negotiating position and are there any counter-veiling factors that the publisher can use to negate this?

3c. Are any intermediaries used in the purchase of advertising in local newspapers?

3d. Do customers typically purchase for each newspaper separately or do they purchase "coverage" which will implicitly include several newspapers?

Response

3a. Advertising campaigns in local newspapers typically last from a single insertion on one day up to a campaign lasting 3 months. Negotiations vary, with some rates agreed solely for the length of the campaign, but a sizeable proportion of deals will be agreed for period of 12 months, effective across numerous campaigns.

3b. In the vast majority of cases, no.

3c. Media sales companies, which are referred to as media saleshouses and are either owned by the publisher or are independent companies contracted to the publisher, are responsible for selling advertising space to media agencies. INM London previously used an independent saleshouse called Mediaforce, Archant currently uses one called Clacksons.

3d. Typically local advertisers will individually purchase titles separately to cover a particular town or area. As reffered to above, key exceptions are two London local press packages, which have been formed by local newspaper publishers to compete with the Evening Standard & Metro for London-wide advertising. The existing Archant London titles are included in one of these packages ("The Capital Package") alongside London titles owned by Trinity Mirror. These packages are relevant only for advertisers wishing to reach a London-wide audience, not for more locally focussed advertisers.

Question

4. Do you believe the acquisition of these titles by Archant may give raise to a substantial lessening of competition? Please fully reason your answer and provide any supporting evidence you may have to support your view.

Response

4. *This question requires investigation at a very local geographical level, as the answer varies title by title. In some locations, the acquisition will give rise to a substantial lessening of competition. In other areas it will not. The deciding factor is whether or not there is any geographical crossover between the acquired INM titles and existing Archant titles, and what other alternatives exist in these areas. Title by title we can broadly categorise the acquisition into three groups:*

   i) *Little or no cross-over:*
   Where the INM title(s) acquired by Archant have minimal geographical overlap with existing Archant titles. In these cases the level of competition in the area is not significantly affected, and there is no cause for concern.
   Examples include: Bexley, Bromley and Hornsey

   ii) *Crossover not leading to area domination:*
   Where the INM title(s) acquired by Archant overlap significantly with one or more existing Archant titles, but an alternative title also serves the same area with a similar degree of strength. In these cases the acquisition strengthens the Archant position in the location, but does not lead to total monopoly. The level of competition is reduced, as there would now be two competing players in the market instead of three, however competition still exists. In these cases the only cause for concern would be if the alternative title were to be squeezed out of business by the stronger Archant presence.
   Examples include: Romford, Ilford and Dagenham

   As there may be cause for examination of the towns involved in situation (ii) we have included in Appendix 3 the local press cover detail.

   iii) *Crossover leading to area domination:*
   Where the INM title(s) acquired by Archant overlap significantly with one or more existing Archant titles, leading to a complete local press monopoly in the area. In these cases, the acquisition leads to Archant owning every single local press title offering significant coverage of a town or area. Hence there is huge lessening of competition, as a local advertiser wishing to advertise in a local paper in their town would have to book into an Archant title. Additionally as detailed above, other media routes are not viewed as practical

alternatives to local press within the M25, certainly on an ongoing basis.
Areas are: Newham, Barking, Stratford, Hackney and Islington.
(NB there is an alternative title in Barking, however it is significantly weaker than the Archant/INM holding.)

Situation (iii) gives most cause for concern, and we have detailed in Appendix 4 the local press cover for the towns involved.

Appendix 2: *Top 20 publishers*

Based on total weekly circulation of regional and local newspapers published at least weekly and listed on the Newspaper Society database; audited circulation only.

Rank	Group Name	Total Titles	Wkly circ	Dailies Paid & Free Titles	Dailies Paid & Free Wkly circ	Sundays Paid & Free Titles	Sundays Paid & Free Wkly Circ	Weekly Paid Titles	Weekly Paid Wkly circ	Weekly Free Titles	Weekly Free Wkly circ
1	Trinity Mirror Plc*	235	15,592,172	15	7,811,928	4	852,725	75	1,072,030	141	5,855,489
2	Newsquest (Media Group) Ltd*	215	10,552,859	18	4,281,960	3	87,371	71	1,066,026	123	5,117,502
3	Northcliffe Newspapers Group Ltd*	110	9,108,571	20	6,127,848	1	13,089	27	482,200	62	2,485,434
4	Johnston Press Plc*	241	8,362,331	16	3,622,182	2	92,543	119	1,516,857	104	3,130,749
5	Associated Newspapers Ltd	7	6,415,350	7	6,415,350	-	-	-	-	-	-
6	**Archant***	**85**	**3,040,355**	**4**	**1,041,678**	**-**	**-**	**32**	**329,192**	**49**	**1,669,485**
7	Guardian Media Group Plc	44	2,609,800	2	1,052,228	1	-	14	230,889	27	1,326,683
8	The Midland News Association Ltd*	19	2,171,200	2	1,521,360	-	-	4	45,652	13	604,188
9	D.C. Thomson & Co Ltd	3	1,243,894	2	647,734	1	596,160	-	-	-	-
10	Scotsman Publications Ltd	6	1,149,880	2	833,724	1	78,542	-	-	3	237,614
11	Independent News & Media	6	877,451	1	651,906	1	92,843	-	-	4	132,702
12	Yattendon Investment Trust Plc*	22	826,001	2	322,956	-	-	5	87,231	15	415,814
13	Kent Messenger Limited	20	639,132	-	-	-	-	10	136,025	10	503,107
14	Tindle Newspapers Ltd*	42	529,682	-	-	-	-	22	232,292	20	297,390
15	C N Group Ltd	10	488,755	2	276,630	-	-	5	94,669	3	117,456
16	North Wales Newspapers Ltd	13	467,208	1	143,115	-	-	4	40,547	8	283,546
17	Observer Standard Newspapers Ltd	10	442,486	-	-	-	-	-	-	10	442,486
18	Local Sunday Newspaper Group	7	351,503	-	-	6	261,194	-	-	1	90,309
19	Clyde & Forth Press Ltd	14	315,886	1	117,792	-	-	10	88,020	3	110,074
20	Irish News	1	300,366	1	300,366	-	-	-	-	-	-
Totals		**1300**	**68,175,997**	**100**	**35,587,032**	**21**	**2,194,862**	**529**	**6,298,316**	**650**	**24,095,787**

Source: Newspaper Society intelligence unit 1 January 2004, ABC/VFD/Independent audit figures
Includes London Evening Standard, Daily Record, Sunday Post, Sunday Mail and the six regional morning free titles
Notes: Based on individual titles rather than buying points as shown on the NS database
This does not necessarily show all the titles published by each group (see online NS Sections & Supplements database)
* Includes titles with independently audited figures
** Includes all publishers on NS database, not just the top 20

Appendix 3: *Areas where the Archant position is strengthened, without forming a local press monopoly by the acquisition of INM titles in areas already covered by Archant titles*

All data is based upon JICREG readership information as at 01/02/2004.
All charts are ranked by percentage cover of adults in the area for one average issue.
Only titles with significant (5%+) adult coverage have been included.

ROMFORD

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Havering Herald	Weekly, Free	67.7%	34,927	1.5	56	Archant
Romford & Havering Post	Weekly, Free	57.6%	29,729	1.5	50	INM
Havering Yellow Advertiser	Weekly, Free	57.4%	29,645	1.4	72	Trinity
Romford Recorder Series	Weekly, Paid-for	50.4%	26,028	3.8	192	Archant

ILFORD

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Ilford & Redbridge Post	Weekly, Free	66.3%	29,113	1.6	46	INM
Redbridge Yellow Advertiser	Weekly, Free	55.0%	24,144	1.5	28	Trinity
Ilford Recorder Series	Weekly, Paid-for	33.7%	14,795	4.3	168	Archant
Newham Recorder Group	Weekly, Paid-for	6.8%	2,973	3.7	144	Archant

HAVERING

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Havering Yellow Advertiser	Weekly, Free	56.9%	109,092	1.4	72	Trinity
Romford Recorder Series	Weekly, Paid-for	47.3%	90,848	3.8	192	Archant
Havering Herald	Weekly, Free	44.2%	84,766	1.6	56	Archant
Romford & Havering Post	Weekly, Free	42.6%	81,768	1.5	50	INM

DAGENHAM

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Barking & Dagenham Post	Weekly, Paid-for	45.4%	22,359	2.6	91	INM
Barking & Dagenham Yellow Advertiser	Weekly, Free	31.7%	15,597	1.4	25	Trinity
Barking & Dagenham Post Weekender	Weekly, Free	25.0%	12,297	1.4	30	INM
Ilford Recorder Series	Weekly, Paid-for	17.6%	8,681	4.7	168	Archant
Romford Recorder Series	Weekly, Paid-for	9.9%	4,860	4.1	192	Archant
Newham Recorder Group	Weekly, Paid-for	6.4%	3,128	4.4	144	Archant

REDBRIDGE

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Ilford & Redbridge Post	Weekly, Free	52.9%	95,454	1.5	46	INM
Redbridge Yellow Advertiser	Weekly, Free	50.9%	91,777	1.4	28	Trinity
Ilford Recorder Series	Weekly, Paid-for	29.5%	53,282	4.2	168	Archant
Epping Forest & Redbridge Independent	Weekly, Free	8.5%	15,402	1.4	48	Newsquest
Redbridge & West Essex Guardian	Weekly, Paid-for	7.4%	13,303	2.6	80	Newsquest

NB: RPC stands for Readers Per Copy. This figure, and the Tabloid Pages figure is often used as a guide to the general quality of a title; higher RPC and higher pagination generally reflect a stronger title

Appendix 4: *Areas where local press monopolies or near-monopolies are formed by the acquisition of INM titles in areas already covered by Archant titles*

All data is based upon JICREG readership information as at 01/02/2004.
All charts are ranked by percentage cover of adults in the area for one average issue.
Only titles with significant (5%+) adult coverage have been included.

NEWHAM

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Stratford & Docklands Express	Weekly, Free	40.3%	74,959	1.5	43	INM
Newham Recorder Group	Weekly, Paid-for	33.9%	63,086	4.0	144	Archant

STRATFORD

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Newham Recorder Group	Weekly, Paid-for	39.0%	11,841	3.9	144	Archant
Stratford & Docklands Express	Weekly, Free	31.8%	9,647	1.4	43	INM

ISLINGTON

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Ham & High Series	Weekly, Paid-for	13.7%	7,336	2.7	186	Archant
North London Herald Series	Weekly, Free	13.0%	6,914	1.3	32	INM
Islington Gazette & Chronicle Series	Weekly, Paid-for	7.2%	3,847	2.3	68	INM

HACKNEY

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Hackney Gazette & North London Advertiser	Weekly, Paid-for	18.4%	29,188	2.3	50	INM
Stoke Newington & Stamford Hill Express	Weekly, Free	16.1%	25,618	1.3	21	Archant

BARKING

Newspaper	Type & Frequency	Area % Readership	Area Readership	RPC	Tabloid Pages	Publisher
Barking & Dagenham Post	Weekly, Paid-for	47.8%	15,519	2.6	91	INM
Ilford Recorder Series	Weekly, Paid-for	27.5%	8,914	4.7	168	Archant
Barking & Dagenham Post Weekender	Weekly, Free	22.0%	7,129	1.4	30	INM
Barking & Dagenham Yellow Advertiser	Weekly, Free	17.2%	5,572	1.4	25	Trinity
Newham Recorder Group	Weekly, Paid-for	9.5%	3,093	4.2	144	Archant

NB: RPC stands for Readers Per Copy. This figure, and the Tabloid Pages figure is often used as a guide to the general quality of a title; higher RPC and higher pagination generally reflect a stronger title

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