

Submission from the Incorporated Society of British Advertisers Ltd

6 May 2004.

ARCHANT / INM MERGER INQUIRY

Thank you for your letter of May 4th inviting our views on this acquisition.

I would imagine that you already hold copies of our relevant correspondence to date, but since it summarises our position, I am taking this opportunity to send you a further copy of our response to the Office of Fair Trading's initial inquiry.

After our significant inputs to the Granada/Carlton merger inquiry last year, I would assume that the Competition Commission is well aware of our organisation, but please do not hesitate to contact me for further information or comment, be it about our organisation and its members or about the issue in hand.

Yours sincerely,

Bob Wootton
Director of Media & Advertising

Submission from Incorporated Society of British Advertisers Ltd to the Office of Fair Trading, 5 March 2004.

ACQUISITION BY ARCHANT OF INM LONDON REGIONAL NEWSPAPERS

Thank you for your invitation to comment on this proposed acquisition.

ISBA is the representative body of British Advertisers, and embodies some 350 major British companies in membership including 83 of the top 100 advertisers. We therefore welcome the opportunity to comment on an acquisition that does appear to have certain anticompetitive dimensions.

1 RESPONSES TO THE OFT'S SPECIFIC QUESTIONS

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

- a In having lower publishing frequencies, little audited circulation data on which to plan likely advertising impact, *local authority published newspapers* are not a practical substitute.
- b *Regional advertising-only publications* are not a practical substitute for three reasons – overly large geographical footprint leading to excessive wastage, higher resultant capital cost and lower penetration of the very local catchments in which one might seek to substitute them.
- c *Regional newspapers such as the Metro and Evening Standard* are again not a practical substitute for the same three reasons at 1b above.
- d *No other single medium* offers the attributes that make local newspapers attractive to certain advertisers and advertising briefs. Therefore none are viable substitutes in this context. Certain combinations of media, such as outdoor and leafleting, might create better substitutes but advertisers using multiple media would then encounter unwelcome incremental advertisement production costs.

1.2 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.

No. Local press advertising is by no means the most cost-effective way of reaching mass audiences. Its strength is that it reaches people in very specific geographical catchments. Regrettably, most advertisers seeking to use the medium thus would have little alternative but to accept any such increases in price because of the lack of available substitutes.

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

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

b/ 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?

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

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

Our colleagues at the Institute of Practitioners in Advertising, representing advertising agencies, have also responded to this consultation, and have shared their response with us. We concur with their responses to the above points.

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

We do believe that there may be substantial lessening of competition in certain of the local catchments affected by the proposed acquisition. This is principally determined by the degree of geographical overlap between the acquired INM titles and existing Archant titles, and is then conditioned by the other alternative media that might exist in these areas.

Areas fall into three broad groups, listed in order of increasing concern to us :

a Where there is little or no overlap between INM title(s) acquired by Archant and existing Archant titles, there is no cause for concern - *eg Bexley, Bromley and Hornsey*

b Where the INM title(s) acquired by Archant overlap significantly with one or more existing Archant titles in a catchment, but where an alternative title also serves the same area to a similar degree. In such instances, the acquisition strengthens the Archant position in the area, but does not give rise to a monopoly. Although reduced, 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 - *eg Romford, Ilford and Dagenham*

c Where the INM title(s) acquired by Archant overlap significantly with one or more existing Archant titles, giving the acquirer a local press monopoly in the area and leading to a clear SLC, especially in cases where other media are not appropriate, such as within the M25. *These areas are Newham, Barking (where insufficient competition exists), Stratford, Hackney and Islington.*

We are aware that the IPA has appended detailed exhibits that illustrate which titles and areas fall into each of these categories, so we have not duplicated that information in this response.

2 ISBA'S FURTHER VIEWS ON THE ACQUISITION

The OFT's questions above, and our responses to them, appear to relate only to issues of local monopolies and advertising alternatives. As we represent major British advertisers at the national level and sometimes beyond, we would also wish to make some points relating to the wider market share impacts of this acquisition.

2.1 Regional view

Archant is already in a relationship with Trinity Mirror (who have a much larger presence in London), in which advertising in its existing titles in London is sold alongside advertising in Trinity Mirror's titles to form the 'Capital Package'. Our view is that this acquisition would not substantially alter the ensuing competitive position against the Evening Standard, Metro and Newsquest's 'London Package', all of which compete for London-wide display advertiser business.

1.2 National view

Whilst Archant is a top-ten local press publisher in terms of weekly circulation, it is far smaller than the top four local press publishers. This acquisition would propel Archant into 6th place in terms of weekly circulation, above the Guardian Media Group, but would not excite competition concerns on a national basis as the enlarged group would only account for some 4.5% of the entire local newspaper by audited weekly circulation.

3 SUMMARY

We have no issues with this proposed acquisition at a national or regional level, but perhaps unsurprisingly for an acquisition within the local press, it does raise some concerns at local level in certain catchments.

- In Newham, Stratford, Hackney and Islington, the proposed acquisition will give Archant a full or near-full monopoly position in the local press, leading to a substantial lessening of competition which could impact upon advertisers for whom local press advertising is an integral part of their marketing.
- In Barking, the situation is not quite as pronounced, but if unchecked, the acquisition would still lead to a significant reduction in competition.

We have responded from the perspective of the UK's larger display advertisers. The issues are in fact both more pronounced and more serious for the myriad local business and individual classified advertisers, but we feel from both perspectives that should the merger be permitted, it is made conditional on remedies which address these specific concerns.

Please don't hesitate to contact me if you require further information or comment.

Yours sincerely,

Bob Wootton

Director of Media & Advertising