

3 The market

3.1. Both EMAP and AKN publish newspapers circulated in East Kent. However, because local newspapers face competition from the national press and other media, the local picture needs to be set in a wider perspective. EMAP publishes newspapers in other South-Eastern counties and in other parts of the United Kingdom. The effect of the proposed transfer on EMAP's share of newspaper circulation is considered at the local level (East Kent), at the regional level (Kent and Sussex) and at the national level (all regional newspapers). We also compare the regional and national press and consider the competition for advertising from other media.

3.2. The main indicator used for estimating market share in this chapter is circulation. In considering the competition from other media (see paragraph 3.18) we use advertising revenue as a means of comparison with the regional press.

3.3. All AKN's publications are weekly paid-for newspapers. Of EMAP's five publications in the East Kent area, four are weekly frees and one a paid-for weekly (see Appendix 6). The analysis of market shares will look separately at the markets for paid-for weeklies and free weeklies, and then at this market as a whole. From the readers' point of view free newspapers are only partial substitutes for paid-for newspapers, although they may be closer substitutes from the advertisers' perspective.

The market in East Kent

3.4. The market in East Kent can be regarded as a network of local markets based on centres of population with some overlap between adjoining centres. Thus, for example, in and around Chatham four publications are circulated: the Chatham News; and the Chatham Standard (both weekly paid-for newspapers owned by AKN); the Medway Extra (a weekly free newspaper owned by The Adscene Group PLC (Adscene)); and the Evening Post (a daily paid-for newspaper owned by the Kent Messenger Group (KMG)). But in addition two free weeklies which cover a wider area, Adscene (Medway) and the North Kent Courier (owned by Aberguild), are circulated in the Chatham area. A list of East Kent publications, by areas of circulation, is at Appendix 7 with a map at Appendix 8.

Effect of the proposed transfer

3.5. None of the areas covered by EMAP's East Kent newspapers overlap with those of AKN's newspapers so that the proposed transfer would not increase concentration in any of these areas. The transfer would result in an increase in concentration in the market for East Kent viewed as a whole. The circulation and market shares of major East Kent newspaper publishers, measured by total average circulation per issue, are shown in Table 3.1.

TABLE 3.1 Market shares of major East Kent publishers

	<i>Average circulation of all newspapers</i>	<i>% share</i>
KMG	555,001	41.1
Adscene	419,435	31.1
Aberguild	95,000	7.0
EMAP	191,408	14.2
AKN	89,544	6.6
Total	1,350,388	100.0
EMAP and AKN combined	280,952	20.8

Source: EMAP and AKN for own figures, British Rate and Data (BRAD), May 1988, for others.

KMG's share is understated in so far as one of its publications, the Evening Post, is a daily newspaper (average circulation per issue 27,366). The weekly circulation of this publication would be approximately 137,000. The transfer of AKN to EMAP would give EMAP a share of 20.8 per cent so that it would still have a share of the East Kent market smaller than KMG and Adscene.

3.6. For paid-for newspapers alone, there are only three publishing groups since Adscene and Aberguild publish only free newspapers in East Kent. The present market shares in East Kent are shown in Table 3.2.

TABLE 3.2 Market shares of paid-for newspaper publishers in East Kent

	<i>Total average circulation per issue</i>	<i>% share</i>
KMG	137,607	53.5
AKN	89,544	34.8
EMAP	30,034	11.7
Total	257,185	100.0
EMAP and AKN combined	119,578	46.5

Source: EMAP and AKN for own figures, BRAD, May 1988, for others.

The proposed transfer would make EMAP's share of the East Kent market 46.5 per cent. This table understates KMG's circulation in that only the average circulation per issue of the daily Evening Post is included (see paragraph 3.5).

3.7. We next look separately at free publications. Because AKN has no free publications no change would arise from the transfer. Table 3.3 looks at the present position.

TABLE 3.3 Market shares of free newspaper publishers in East Kent

	<i>Average circulation</i>	<i>% share</i>
Adscene	419,435	38.4
KMG	417,394	38.2
EMAP	161,374	14.7
Aberguild	95,000	8.7
Total	1,093,203	100.0

Source: EMAP for own figures, BRAD, May 1988, for others.

The circulation of newspapers in Kent and Sussex

3.8. EMAP has a number of titles in Sussex in addition to its titles in Kent. We aggregated the circulation of paid-for and free publications in the two counties (including the East Kent publications discussed in paragraphs 3.4 to 3.7) and estimated EMAP's market share. Our estimate of the total circulation in the two counties does not include any figures for those smaller newspapers for which certified circulation figures are not collected. On the other hand, our estimate does contain a total circulation figure for the Kentish Times Newspapers group which includes some titles published just outside the borders of Kent. Total paid-for circulation in Kent and Sussex was 740,306 (this includes the daily Brighton Evening Argus with average daily circulation of 93,112). Total free circulation was 2,395,152 to give an overall total of 3,135,458. EMAP's shares of circulation are set out in Table 3.4, which also shows the effect of the proposed transfer of AKN titles.

TABLE 3.4 Shares of Sussex and Kent circulation

	<i>Paid-for</i>	<i>Frees</i>	<i>per cent</i> <i>Total</i>
EMAP	16.0	22.1	20.7
EMAP and AKN	28.1	22.1	23.5

Source: MMC estimates from EMAP, AKN figures and BRAD, May 1988.

Because of EMAP's strength in the Sussex market, its total present share of the combined Kent and Sussex circulation is higher than for East Kent alone (20.7 per cent compared with 14.2 per cent); the transfer would increase its share of Kent and Sussex circulation to 23.5 per cent, whereas its share of the East Kent market would only be increased to 20.8 per cent (see paragraph 3.5).

Regional newspapers as a whole

3.9. Appendices 9(a) and (b) show EMAP's present share of the bi-weekly/weekly paid-for market, the total regional paid-for market (ie bi-weekly/weekly plus dailies) and the total regional free newspapers market. The acquisition of the AKN titles only affects the bi-weekly/weekly paid-for market, in which EMAP's share would increase from 7.8 per cent to 9 per cent. EMAP is the largest publisher in this market; the next largest publishers are four groups each with between 4 and 5 per cent of the market. If the regional press is regarded as one market (ie dailies, bi-weeklies/weeklies, both paid-for and free are all aggregated) then EMAP's share is presently 4.1 per cent and would rise to 4.2 per cent after the proposed merger, a rise of a tenth of 1 per cent.

EMAP's growth over the last five years

3.10. EMAP's growth over the last five years has been rapid, with acquisitions playing an important part in this growth. In 1983 it owned ten paid-for weekly and bi-weekly newspapers with an aggregate circulation of 170,000. This compares with 35 such newspapers today with a combined circulation of 576,000. If the transfer with AKN goes through it will have 44 paid-for weeklies and bi-weeklies with a total circulation of 665,000. The growth of EMAP compared with other major publishers from 1982 to 1986 is shown in Appendix 10.

3.11. EMAP's ownership of free weekly newspapers has also grown rapidly. In 1985, before its merger with the Courier group, it published nine such newspapers with a total circulation of 310,000. It currently publishes 48 free weeklies with a combined circulation of 2,290,000, making it one of the three largest publishers of free regional newspapers with 6.1 per cent of the total market.

General trends in the regional press over the last five years

3.12. The striking trend over this period has been the growth in the number of free newspapers in the United Kingdom from about 400 to over 880. At the same time paid-for weekly titles have decreased from 1,100 to 850. Circulation of free newspapers is now around 37 million per issue, as compared with 7.4 million for weekly and bi-weekly paid-for titles.

3.13. Advertising revenue for free titles has increased from £136 million in 1982 to £314 million in 1986, while over the same period advertising in paid-for regionals has increased from £601 million in 1982 to £787 million in 1986. In real terms these figures represent an increase in the advertising revenues of free newspapers of 92 per cent over the years 1982 to 1986, while those of paid-for newspapers have increased by only 9 per cent.

3.14. Most free newspapers are owned by groups which also publish paid-for newspapers. Figures for 1986 show that publishers of paid-for newspapers who also published free newspapers with a total circulation of 250,000 or more accounted for 20.7 million of total free circulation. This compared with 5.5 million accounted for by the ten principal groups which publish only free newspapers. The relative share of circulation of frees by groups also owning paid-for newspapers is likely to have increased further since the above figures were collected.

The total newspaper market

3.15. Several of the publishing groups in Appendix 10 have national publications as well as regional ones. The national press can be compared with the regional press in terms of advertising revenue. In 1986 total advertising spending in the regional press was £1,101 million, up from £737 million in 1982. The national press figures were £844 million for 1986, up from £515 million in 1982. Over the five years up to 1986 the trend had been for strong growth in press advertising in general (31 per cent in real terms) with the national press growing slightly faster than the regional press (36 per cent compared with 24 per cent, in real terms).

3.16. In so far as the national newspaper press is regarded as being in competition with the regional press, the fact that EMAP has no national newspapers diminishes its power as an advertising medium.

Other publications

3.17. Advertising in magazines and other periodicals (consumer, business and professional) was worth £647 million in 1986, having grown from £456 million in 1982. EMAP publishes a number of magazines and periodicals (see Appendix 2) and its total turnover in this sector of its business was £70.6 million in 1986-87. Approximately 60 per cent of this was from advertising revenue.

Other media

3.18. Total advertising revenue in 1986 from all media was £5,117 million, having grown from £3,126 million in 1982, a 36 per cent increase in real terms. Appendix 11 shows advertising revenue by different media over the five years to 1986. The share of the press in total advertising revenue has fallen slightly over this time (from 63.5 per cent to 61.3 per cent) during a period when television advertising costs have risen.

New entries into the newspaper market

3.19. The decline in the number of paid-for weeklies and growth in the number of free weeklies was mentioned in paragraph 3.12. Figures for 1985 and 1986 give some idea of the turnover of publications. In 1985 in the United Kingdom as a whole there were 45 new free weeklies launched and 47 closed (these figures include a number of mergers of titles). In 1986 the corresponding figures were 66 launches and 49 closures. In 1985 there were eight launches of paid-for weeklies, 20 closures and eight titles changed from paid-for to free. In 1986 there were ten launches, 28 closures and four paid-for became free newspapers.

3.20. We understand that the cost of launching a new free newspaper is estimated at a minimum of £130,000. This cost would be incurred over two years with break-even typically expected in year three.