

Yell discounts

1. This appendix gives information on Yell's discount schemes for *Yellow Pages* advertisements.
2. Table 1 gives a description of the various discount schemes.

TABLE 1 *Yellow Pages* discount schemes

<i>Discount</i>	<i>Description</i>
Discount offer A	Buy larger advertisement for the price of an advertisement that is one size smaller.
Discount offer B	Percentage discount off the advertisement size.
Discount offer C	Buy a particular advertisement size and get the colour option free.
Move in discount	For new customers. The level of discount depends on the tier—Gold, Silver or Bronze—that the classification in which the advertisement falls has been assigned to. Classifications can belong to only one tier.
Move up discount	Available to all existing advertisers that are renewing advertising. Provides a 20 per cent reduction in the additional advertisement cost when moving to a more expensive advertisement.
Composite offer	Offered to advertisers that purchase advertisements in directories that have been re-scoped from one directory to two or more. The effect of the composite offer is to make the rate card price paid for an advertisement in each of the re-scoped directories no more than the cost of a single advertisement before rescoping.

Source: Yell.

3. Table 2 presents an analysis of Yell's discounts over time. Excluding the composite offer, the value of discounts granted by Yell fell from £[~~3~~] million in 2001/02 to £[~~3~~] million in 2004/05. The average discount per advertiser and the average discount per advertisements also fell between 2001/02 and 2004/05.

TABLE 2 *Yellow Pages discounts, 2001/02 to 2004/05*

Year	2001/02	2002/03	2003/04	2004/05
Value of <i>Yellow Pages</i> discounts* (£m)		†	✂	
Total net revenue (£m)				
Percentage of total discount represented by composite offers	39	N/A	51	67
Value of discounts excluding composite offers (£m)				
Gross revenue (£m)				
Number of advertisements				
Number of advertisers‡	434,040	447,209	475,030	473,274
Average discount per advertisement§				
Average discount per advertiser (£)				
Net revenue per advertisement (£)				
Net revenue per advertiser (£)				
Gross revenue per advertisement¶ (£)				
Gross revenue per advertiser (£)				
Average percentage discount per advertisement#				
Average percentage discount per advertiser~				

Source: Yell; CC calculations.

*Including the composite offer.

†Yell [✂].

‡The figures for the number of advertisers relate to publishing rather than financial years and therefore are not equivalent to figures in Section 7.

§Excluding composite offer.

¶The sum of the discount per advertisement and the net revenue per advertisement. This is not the same as the sum of net revenue and waivers (waivers are granted when mistakes in customer service are made, for example making a mistake in a printed advertisement, and charges to the customer are waived in recognition of this) and therefore is not equivalent to gross revenue figures presented in Yell's financial accounts.

#The percentage discount per advertisement (all advertisements).

~The percentage discount per advertiser (all advertisers).

4. Table 3 analyses Yell's 2004/05 *Yellow Pages* advertisement sales to calculate the number of advertisements that were sold at the maximum permitted by the Yell undertakings. 57 per cent of Yell's advertisements ([✂] per cent in revenue terms) were sold at the maximum price permitted by the Yell undertakings.

TABLE 3 *Yellow Pages advertisement sales, 2004/05: breakdown of advertisements sold at or below the regulatory maximum*

Advertisement sale type	Number of advertisements	Percentage of advertisements	Revenues £m	Percentage of revenues
Advertisements sold at the maximum permitted price	(✂)	56.5	(✂)	(✂)
Advertisements sold below the maximum permitted price	(✂)	43.5	(✂)	(✂)
Total	(✂)	100.0	(✂)	100.0

Source: Yell; CC calculations.

5. Table 4 provides information on the number of advertisements receiving either a composite offer or 'other discount' (that is, move in, move up, or offers A, B, C—see Table 1) in the 2004/05 cycle. Excluding the 'composite offer' 35 per cent of advertisements by number and [✂] per cent of advertisements by revenue receive some form of discount.

TABLE 4 Advertisements in the 2004/05 cycle attracting the composite offer and other discounts

Whether discount or not; and if so, type	Number of advertisements	Percentage of total number of advertisements	Net revenue £m	Percentage of total revenue	Value of discounts (excluding composite offer*) £m
No discount	(✂)	41	()	(✂)	()
Composite offer only		25			
Other discounts only		24			
Composite offer plus other discounts		11			
Total		-			

Source: Yell 'Cross-sectional' data set. Yell provided the CC with a data set comprising 1,194,182 observations, each observation containing information on a single advert sold in the 2004/05 publishing cycle.

*Yell was unable to provide us with information on the value of the composite offer.

6. Table 5 calculates the average discount per discounted advertisement. For the [✂] per cent of advertisements that received a discount, the average value of the discount¹ (that is, the average reduction from the rate card price) was [✂] per cent.

TABLE 5 Average discount per discounted advertisement, 2004/05 (excluding composite offer)

Source	Item	Value
Yell dataset	Net revenue from discounted advertisements (£m)	(✂)
Yell dataset	Total discount value (£m)*	
Yell dataset	Number of discounted advertisements†	
	Average net revenue of discounted advertisements (£)‡	
	Average discount (£)‡	
	Average gross revenue per discounted advertisements (£)‡	
	Average percentage discount‡	

Source: Yell; CC calculations.

*Excluding composite offer.

†Number of advertisements receiving a discount (excluding composite offer), ie the number of advertisements receiving move in, move up or discount offer A, B or C discounts.

‡Excluding composite offer.

7. Table 6 shows the net revenue and average discount value for Yell's discount schemes in the 2004/05 publishing cycle. The categories in the 'discount scheme' column are not exclusive: advertisements may receive both a composite offer and a discount. The figures exclude the composite offer. A similar table, with exclusive 'discount scheme' categories, is presented in the annex (Table 9).

¹Excluding the composite offer.

TABLE 6 **Yellow Pages discount schemes***

<i>Discount scheme</i>	<i>Revenue £m</i>	<i>Number of advertisements</i>	<i>Discount value £m</i>	<i>Average net value of advertisement £</i>	<i>Average gross revenue per advertisement £</i>	<i>Average discount £</i>
None All (that is, advertisements receiving the composite offer but not including the composite offer) Discount A (all) Discount B (all) Discount C (all) Move in Move up				✂		

Source: Yell; CC calculations.

*All figures exclude the composite offer. The row marked 'all' represents the value of discounts (other than the composite offer) that those advertisements receiving the composite offer received.

8. Yell told us that the discount an advertiser received might be based on the tier (bronze, silver or gold) that the advertisement purchased appeared in, and might be affected by other factors (for example, whether the advertiser was a new, first year renewal or older customer). Classifications could belong to only one tier; advertisers purchasing advertisements in more than one tier would receive discounts based on the tiers of the classifications that the advertisements appeared in.² This element of Yell's discount strategy—since applied nationally—does not allow for competitive responses (in terms of higher discounts) to localized entry.
9. Table 7 shows average discounts per advertisement and per advertiser, by advertisement tier, excluding the composite offer. The percentage discount received by advertisements in bronze, silver and gold classifications reflects the levels of discounts offered to those tiers.

²Yell does assign advertisers to tiers but this is for 'purposes of certain internal analyses' and customer or advertiser tiers are not used to determine discounts.

TABLE 7 Discounts by customer tier*

Tier	Bronze	Silver	Gold	Insurance	CAS unclassified†	Not allocated
Number of advertisements						
Number of advertisers						
Total net revenue (£m)						
Average net revenue per non-discounted advertisement (£)						
Average net revenue per discounted advertisement (£)						
Average discount (£)						
Average gross revenue per discounted advertisement (£)						
Average discount percentage					✂	
Average net revenue per advertiser not receiving a discount (£)						
Average net revenue per advertiser receiving a discount (£)						
Average discount per advertiser receiving a discount (£)						
Average gross revenue per advertiser receiving a discount (£)						
Average discount per advertiser receiving a discount (%)						

Source: Yell; CC calculations.

*Excluding the composite offer. Information used to calculate this table is presented in the annex (Table 3).

†Yell told us that 'CAS unclassified' referred to complex national account customers. CAS advertisements are those in which smaller advertisements may appear within a larger advertisement—an example of this is car dealerships appearing within a larger manufacturer's advertisement.

- Table 8 shows average discounts (excluding the composite offer) per advertisement and per advertiser, by customer status. New customers receive the greatest discounts, followed by renewing customers; old customers receive the smallest discounts. Yell's move in and first year renewal discounts, available to new and renewing customers only, explain this pattern.

TABLE 8 Discounts by customer status*

Status	New customer	Renewing customer	Old customer	All advertisers
Number of advertisements				
Number of advertisers				
Total net revenue (£m)				
Average net revenue per non-discounted advertisement (£)				
Average net revenue per discounted advertisement (£)				
Average discount (£)				
Average gross revenue per discounted advertisement (£)				
Average discount percentage				
Average net revenue per advertiser not receiving a discount (£)				
Average net revenue per advertiser receiving a discount (£)				
Average discount per advertiser receiving a discount (£)				
Average gross revenue per advertiser receiving a discount (£)				
Average percentage discount per advertiser receiving a discount				

Source: Yell; CC calculations.

*Information used to calculate this table is presented in the annex (Table 4).

11. Further tables are presented in the annex.

Discount calculations

1. Tables 1, 2, 3, 4, 5 and 6 show the average discount received by all *Yellow Pages* advertisements in the 2004/05 publishing cycle broken down by the type of advertisement, tier that an advertisement is placed in, tier that an advertiser advertises in, status (length of the advertising relationship) of the advertisement and status of the advertiser.
2. Table 7 presents average discount calculations for the 102 Yell directories in the 2004/05 publishing cycle excluding the composite offer. The data in the table is ranked by the size of discount received by those advertisements that received a discount. Discounts range from [✂] per cent (Highlands and Islands) to [✂] per cent (Dundee and Perth).
3. Table 8 presents average discount¹ calculations for the top 100 classifications by total net revenue in the 2004/05 publishing cycle. Data in the table is ranked by the size of the discount that those advertisements that received a discount received. Discounts range from [✂] per cent (Carpenters & Joiners; Plastering & Screeding) to [✂] per cent (Exhaust System Dealers; Insurance—Car; Removals Overseas; Garage Doors).
4. Tables 9, 10 and 11 provide a breakdown of reductions of Yell prices from the maximum permitted by the Yell undertakings.

TABLE 1 Average discount, excluding the composite offer, by type of discount, 2004/05*

Discount type	Net revenue £m	Number of advertisements	Value of discount† £m	Average net value of advertisements £	Average gross revenue	Average discount %
None	()	()	✂	✂	()	()
Composite						
Move up						
Move up and composite						
Discount offer B						
Move in						
Discount offer B and composite						
Move in and composite						
Discount offer A						
Discount offer A and composite						
Discount offer C						
All advertisements						

Source: Yell; CC calculations.

*The discount categories presented here are exclusive: no advertisement can belong to more than one category. A breakdown including re-scoped rates set below the maximum permitted by the regulatory maximum is given in a further table.

†Excluding the value of the composite offer.

¹Excluding the composite offer.

TABLE 2 Discounts by tier, excluding composite offer, per advertisement, 2004/05

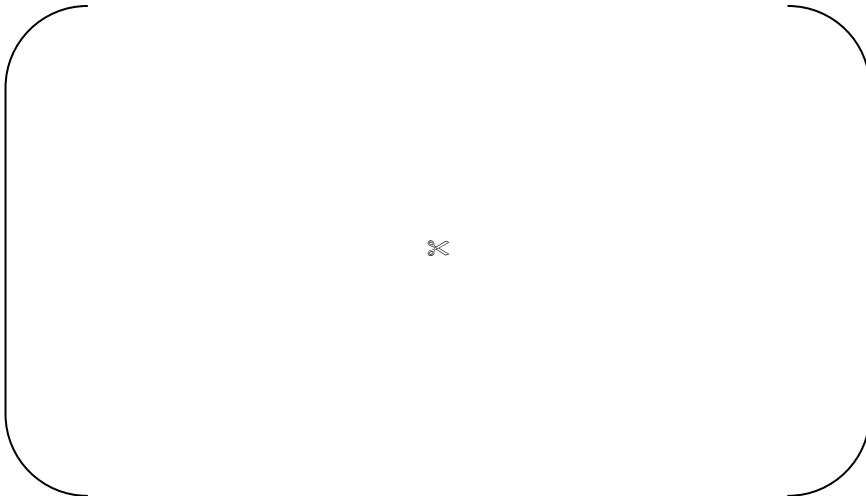
Segment	Bronze	Silver	Gold	Insurance	CAS unclass*	Not allocated
Number of advertisements						
Total net revenue (£m)						
Number of non-discounted advertisements						
Non-discounted revenue (£m)						
Number of discounted advertisements						
Revenue from discounted advertisements (£m)						
Total discount value (£m)					✂	
Average net revenue per non-discounted advertisements (£)						
Average net revenue per discounted advertisements (£)						
Average discount (£)						
Average gross revenue per discounted advertisement (£)						
Average discount† %						

Source: Yell; CC calculations.

*'CAS unclassified' refers to 'complex, national account customers'. CAS advertisements are those in which smaller advertisements may appear within a larger advertisement—an example of this is car dealerships appearing within a larger manufacturer's advertisement.

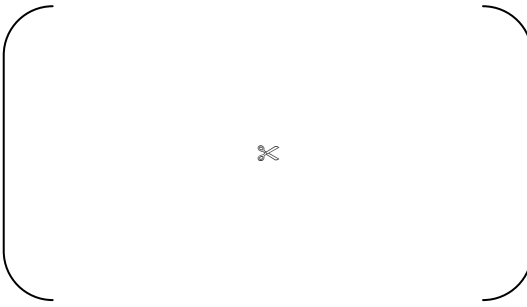
†Average discount per discounted advertisement.

TABLE 3 **Discount by tier, excluding composite offer, per advertiser calculation**

<i>Status</i>	<i>Bronze</i>	<i>Silver</i>	<i>Gold</i>	<i>CAS unclassified</i>	<i>Not allocated</i>	<i>Insurance</i>
Number of advertisements						
Number of advertisers						
Total net revenue (£m)						
Number of advertisements purchased by advertisers not receiving a discount						
Number of advertisers not receiving a discount						
Revenue from advertisers buying non-discounted advertisements only (£m)						
Number of advertisements purchased by advertisers receiving a discount						
Number of advertisers receiving a discount						
Revenue from advertisers buying one or more discounted advertisements (£m)						
Total discount value (£m)					✂	
Average net revenue per non-discounted advertisement (£)						
Average net revenue per advertiser not receiving a discount (£)						
Average net revenue per discounted advertisement (£)						
Average net revenue per advertiser receiving a discount (£)						
Average discount per discounted advertisement (£)						
Average discount per advertiser receiving a discount (£)						
Average gross revenue per discounted advertisement (£)						
Average gross revenue per advertiser receiving a discount (£)						
Average discount per discounted advertisement (%)						
Average discount per advertiser receiving a discount (%)						

Source: Yell; CC calculations.

TABLE 4 Discounts by status, excluding composite offer, per advertisement calculation

<i>Status</i>	<i>New customer</i>	<i>Renewing customer</i>	<i>Old customer</i>	<i>All adverts</i>
Number of advertisements				
Total net revenue (£m)				
Number of non-discounted advertisements				
Non-discounted revenue (£m)				
Number of discounted advertisements				
Revenue from discounted advertisements (£m)				
Total discount value (£m)			✂	
Average net revenue per non-discounted advertisements (£)				
Average net revenue per discounted advertisement (£)				
Average discount (£)				
Average gross revenue per discounted advertisement (£)				
Average discount percentage				

Source: Yell; CC calculations.

TABLE 5 Discounts by status, excluding composite offer, per advertiser calculation

Status	New customer	Old customer	Renewing customer	All advertisers
Number of advertisements				
Number of advertisers				
Total net revenue (£m)				
Number of advertisements purchased by advertisers not receiving a discount				
Number of advertisers not receiving a discount				
Revenue from advertisers buying non-discounted advertisements only (£m)				
Number of advertisements purchased by advertisers receiving a discount				
Number of advertisers receiving a discount				
Revenue from advertisers buying one or more discounted advertisements (£m)				
Total discount value (£)				
Average net revenue per non-discounted advertisements (£)				
Average net revenue per advertiser not receiving a discount (£)			✂	
Average net revenue per discounted advertisement (£)				
Average net revenue per advertiser receiving a discount (£)				
Average discount per discounted advertisement (£)				
Average discount per advertiser receiving a discount (£)				
Average gross revenue per discounted advertisement (£)				
Average gross revenue per advertiser receiving a discount (£)				
Average discount per discounted advertisement (%)				
Average discount per advertiser receiving a discount (%)				

Source: Yell; CC calculations.

TABLE 6 Percentage discounts, excluding the composite offer, by tier and status, 2004/05

Tier	Status*	Discount type	Net revenue £m	Number of advertisements	Value of discount £	Percentage discount†
Bronze	New customer	No discount				
Bronze	New customer	Composite only				
Bronze	New customer	Other discount only				
Bronze	New customer	Composite and other				
Bronze	Old customer	No discount				
Bronze	Old customer	Composite only				
Bronze	Old customer	Other discount only				
Bronze	Old customer	Composite and other				
Bronze	Renewing customer	No discount				
Bronze	Renewing customer	Composite only				
Bronze	Renewing customer	Other discount only				
Bronze	Renewing customer	Composite and other				
CAS unclassified	New customer	No discount				
CAS unclassified	New customer	Composite only				
CAS unclassified	New customer	Other discount only				
CAS unclassified	New customer	Composite and other				
CAS unclassified	Old customer	No discount				
CAS unclassified	Old customer	Composite only				
CAS unclassified	Old customer	Other discount only				
CAS unclassified	Old customer	Composite and other				
CAS unclassified	Renewing customer	No discount				
CAS unclassified	Renewing customer	Composite only				
CAS unclassified	Renewing customer	Other discount only				
CAS unclassified	Renewing customer	Composite and other				
Gold	New customer	No discount				
Gold	New customer	Composite only				
Gold	New customer	Other discount only				
Gold	New customer	Composite and other				
Gold	Old customer	No discount				
Gold	Old customer	Composite only				
Gold	Old customer	Other Discount only				
Gold	Old customer	Composite and other				
Gold	Renewing customer	No discount				
Gold	Renewing customer	Composite only				
Gold	Renewing customer	Other discount only				
Gold	Renewing customer	Composite and other				
Insurance	New customer	No discount				
Insurance	New customer	Composite only				
Insurance	New customer	Other discount only				
Insurance	New customer	Composite and other				
Insurance	Old customer	No discount				
Insurance	Old customer	Composite only				
Insurance	Old customer	Other discount only				
Insurance	Old customer	Composite and other				
Insurance	Renewing customer	No discount				
Insurance	Renewing customer	Composite only				
Insurance	Renewing customer	Other discount only				
Insurance	Renewing customer	Composite and other				
Not allocated	New customer	No discount				
Not allocated	New customer	Composite only				
Not allocated	New customer	Other discount only				
Not allocated	New customer	Composite and other				
Not allocated	Old customer	No discount				
Not allocated	Old customer	Composite only				
Not allocated	Old customer	Other discount only				
Not allocated	Old customer	Composite and other				
Not allocated	Renewing customer	No discount				
Not allocated	Renewing customer	Composite only				
Not allocated	Renewing customer	Other discount only				
Not allocated	Renewing customer	Composite and other				
Silver	New customer	No discount				
Silver	New customer	Composite only				
Silver	New customer	Other discount only				
Silver	New customer	Composite and other				
Silver	Old customer	No discount				
Silver	Old customer	Composite only				
Silver	Old customer	Other discount only				
Silver	Old customer	Composite and other				
Silver	Renewing customer	No discount				
Silver	Renewing customer	Composite only				
Silver	Renewing customer	Other discount only				
Silver	Renewing customer	Composite and other				

Source: Yell; CC calculations.

*Renewing customers are those customers renewing advertisements for the first time (first year renewals).

†The value of the discount divided by gross revenue.

TABLE 7 Percentage discounts, excluding the composite offer, by directory, 2004/05

Directory	Number of advertisements	Total net revenue £m	Number of non-discounted advertisements	Non-discounted revenue £m	Number of discounted advertisements	Revenue from discounted advertisements £m	Total discount value £m	Average net revenue per non-discounted advertisement £	Average net revenue per discounted advertisement £	Average discount £	Average gross revenue per discounted advertisement £	Average discount percentage
Highlands and Islands												
Bolton and Wigan												
Carlisle and North Cumbria												
Romford and Ilford												
Manchester South												
Gatwick area												
Birmingham Central												
Watford and St Albans												
Lancaster and South Cumbria												
Tunbridge Wells												
Swansea and south-west Wales												
London Central												
East London												
Birmingham North												
Swindon												
Manchester North												
South London												
Wolverhampton												
Glasgow South												
Exeter												
Glasgow North												
South-west Scotland												
Newcastle upon Tyne												
Canterbury												
Manchester Central												
Gloucester												
Luton and Stevenage												
Chester and North Wales												
Blackburn												
West London												
North London												
Birmingham South												
Croydon and Sutton												
Hull and East Yorkshire												
Aberdeen												
Bedford and Milton Keynes												
Southampton												
Wakefield and Huddersfield												
Oxford & Banbury												
Harrow, Uxbridge & Wemb												

Directory	Number of advertisements	Total net revenue £m	Number of non-discounted advertisements	Non-discounted revenue £m	Number of discounted advertisements	Revenue from discounted advertisements £m	Total discount value £m	Average net revenue per non-discounted advertisement £	Average net revenue per discounted advertisement £	Average discount £	Average gross revenue per discounted advertisement £	Average discount percentage
Stirling												
Peterborough												
Isle of Wight												
High Wycombe and Aylesbury												
Preston												
Bromley and Bexley												
Warrington												
Ayr												
South-east London												
Northampton												
Durham												
Chesterfield and Mansfield												
Derby												
Maidstone												
Lincoln												
Portsmouth												
Harlow												
Cardiff and West Valleys												
Middlesbrough												
Grimsby and Scunthorpe												
Taunton												
Bristol												
Chelmsford												
Northern Ireland (North Ulster)												
Coventry												
Northern Ireland (South Ulster)												
Bath												
Mid- and West Cornwall												
Bradford												
Mersey												
Enfield and Barnet												
Northern Ireland (Belfast)												
West Midlands South												
Kingston												
Shrewsbury, Telford and mid-Wales												
Leicester												
Leeds												
Wirral and Chester												
Sunderland												
Colchester												
York, Harrogate and Scar												
Newport and east Valleys												
Ipswich												

Directory	Number of advertisements	Total net revenue £m	Number of non-discounted advertisements	Non-discounted revenue £m	Number of discounted advertisements	Revenue from discounted advertisements £m	Total discount value £m	Average net revenue per non-discounted advertisement £	Average net revenue per discounted advertisement £	Average discount £	Average gross revenue per discounted advertisement £	Average discount percentage
Southend and Basildon	()											()
Hereford												
Brighton												
Richmond and Twickenham												
Plymouth and East Cornwall												
Guildford												
Slough												
Cambridge												
Basingstoke and Fleet												
Bournemouth												
Nottingham												
Stoke-on-Trent												
Edinburgh												
Barnsley, Donc and Roth												
Reading & Newbury												
Norwich												
Sheffield												
Fife and Kinross												
Dundee and Perth												

✂

Source: Yell.

TABLE 8 Average discounts, excluding composite offer, by classification 2004/05*

Revenue rank	Classification	Number of advertisements	Total net revenue £m	Number of non-discounted advertisements	Non-discounted revenue £m	Number of discounted advertisements	Revenue from discounted advertisements £m	Total discount value £m	Average net revenue per non-discounted advertisement £	Average net revenue per discounted advertisement £	Average discount £	Average gross revenue per discounted advertisement £	Average discount %
✂													

Source: Yell; CC calculations.

*The top 100 classifications by revenue are presented.

TABLE 9 *Yellow Pages 2004/05 advertisement sales: full breakdown of reductions from regulatory maximum rate*

<i>Discount type</i>	<i>Number of advertisements</i>	<i>Percentage of advertisements (by number)</i>	<i>Revenue £m</i>	<i>Percentage of advertisements (by revenue)</i>						
No discount	⌋	31.9	⌋	⌋						
Re-scope rate below regulatory level		8.8								
Composite offer		9.3								
Composite offer, re-scope rate below regulatory level		15.3								
Move up		⌋			⌋	⌋	⌋			
Move up, re-scope rate below regulatory level										
Move up, composite offer										
Move up, composite offer, re-scope rate below regulatory level										
Move in										
Move in, re-scope rate below regulatory level										
Move in, composite offer										
Move in, composite offer, re-scope rate below regulatory level										
Discount offer C								✂	✂	✂
Discount offer C, re-scope rate below regulatory level								✂	⌋	⌋
Discount offer B		⌋			⌋	⌋				
Discount offer B, re-scope rate below regulatory level										
Discount offer B, composite offer										
Discount offer B, composite offer, re-scope rate below regulatory level										
Discount offer A										
Discount offer A, re-scope rate below regulatory level										
Discount offer A, composite offer										
Discount offer A, composite offer, re-scope rate below regulatory level										
Total	100		100.0							

Source: Yell; CC calculations.

TABLE 10 *Yellow Pages 2004/05 advertisement sales. Summary of reductions from regulatory maximum rate*

<i>Row</i>	<i>Discount type</i>	<i>Number of advertisements</i>	<i>Percentage of advertisements (by number)</i>	<i>Revenue £m</i>	<i>Percentage of advertisements (by revenue)</i>		
1	Discounted advertisements, rate card at regulatory level	⌋	21.5	⌋	⌋		
2	Discounted advertisements, rate card below regulatory level		13.2				
3	Composite offer only, rate card at regulatory level		9.3			✂	✂
4	Composite offer only, rate card below regulatory level		15.3			⌋	⌋
5	No discount, rate card at regulatory level		31.9				
6	No discount, rate card below regulatory level		8.8				
7	Total		100.0			100.0	

Source: Yell; CC calculations.

TABLE 11 **2004/05 Yellow Pages advertisement sales. Breakdown of advertisements sold at or below the regulatory maximum**

<i>Advertisement sale type</i>	<i>Number of advertisements</i>	<i>Percentage of advertisements (by number)</i>	<i>Revenue £m</i>	<i>Percentage of advertisements (by revenue)</i>
Advertisements sold at the maximum permitted price*	(✂)	56.5	(✂)	(✂)
Advertisements sold below the maximum permitted price†	(✂)	43.5	(✂)	(✂)
Total		100.0		100.0

Source: Yell; CC calculations.

*Rows 3, 4 and 5 of Table 10.

†Rows 1, 2 and 6 of Table 10.