COMPETITION COMMISSION

Competition Commission

Investigating the Impact of the Emap Plc acquisition of ABI Building Data Ltd

A report by RSM Robson Rhodes

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Contents

Introduction & Background

At the beginning of July 2004 the Office of Fair Trading (OFT) referred the completed acquisition by Emap Plc of ABI Building Data Ltd to the Competition Commission. The OFT asked the Competition Commission to investigate whether it may result in a substantial lessening of competition in the UK markets for the supply of construction project information and contact data products. Aspects relevant to this assessment include: focussing on customers of Emap Plc and ABI Building Data Ltd to understand whether or not they have viable alternatives, and / or whether certain customers' negotiating positions have weakened as a result of the merger.

Emap Plc is made up of four divisions, of which three operate in the UK market (Emap Consumer Media, Emap Communications and Emap Performance). Emap Communications contains the Emap Construction Network, which provides a wide range of marketing intelligence and information services to all areas of the Construction industry (including the Architecture, Engineering and Building Services sectors). Their capabilities include the provision of information on business leads and contact information via Emap Glenigan.

ABI Building Data Ltd (formerly part of Springer Science and Business Media) focuses primarily on collecting, processing and supplying information on forthcoming projects throughout the UK, including construction projects (tracking from tender through to contract and sub-contract stages) and business moves, as well as marketing contacts and services for suppliers to the construction industry.

In July 2004 RSM Robson Rhodes LLP was commissioned by the Competition Commission to conduct a quantitative research survey amongst a representative sample of Emap Plc and ABI Data Ltd customers to help understand the impact of the merger upon customer attitudes and behaviour.

Objectives

The overall objectives of the research were as follows:

- To assess the information needs of users of construction industry sales lead generation services, the importance of the provision of this type of contact information, and the intended use of sales lead generation services;
- To assess the extent to which there are realistic and effective substitutes to the construction contact information provided by Emap Plc (Glenigan) and ABI Building Data Ltd in terms of other means of generating new business leads;
- To explore customer perception of effective and realistic alternative providers to the services provided by Emap Plc (Glenigan) and ABI Building Data Ltd;
- To explore the extent to which respondents perceived they were able to negotiate the subscription price;
- To understand possible customer behaviour in response to a 10% increase in the price of their subscription from all sales lead generation service providers.

Methodology and Sample

Given the nature of the objectives, a quantitative survey was conducted in order to provide the Competition Commission with robust and reliable information, and conclusive evidence to inform its decision with regard to the merger.

In August and September 2004, 500 x 10 to 15 minutes CATI (Computer Aided Telephone Interviews) were conducted with customers of Emap Plc and ABI Building Data Ltd.

The following sample was interviewed:

- All respondents were customers of either Emap Glenigan or ABI Building Data Ltd
- 249 interviews were conducted with Emap Glenigan customers
- 251 interviews were conducted with ABI customers
- 480 interviews were with customers who subscribed to Emap Glenigan or ABI services and 20 of those interviewed made one-off purchases
- All were buyers of construction industry contact information
- All respondents were decision makers in terms of choosing industry information providers
- The findings of this report are based upon 241 Emap Glenigan customers and 239 ABI Building Data Ltd customers i.e. those who subscribed to these services.

Respondents were drawn from a sampling frame consisting of almost the whole of the customer base, with the exception of a small proportion of customers who were interviewed separately by the Competition Commission, and these included the very small proportion of customers who subscribed to both companies' services. All customers in the combined customer bases of Emap Glenigan and ABI were ranked by their total subscription value. The ranks of one to five were used, corresponding to the quintiles of the total distribution, such that rank one corresponded to the most valuable 20% of customers.

When conducting the fieldwork, the distribution of the account ranks in the sample was monitored to ensure that the value ranks distribution of the sample was broadly representative of that of the total customer base. This enabled us to draw conclusions from the survey results that were valid and applicable for the total customer base of each Emap Glenigan and ABI.

The research objectives and questionnaire were provided by the Competition Commission. Following on from this a pilot study of 50 interviews was set up. The purpose of the pilot was to test the questionnaire for clarity, logic and relevance to ensure that the final questionnaire used in the main survey was as robust as possible. The Competition Commission and the Research Team from RSM Robson Rhodes listened to a sample of pilot interviews to monitor the efficacy of the questionnaire. From the pilot study a top line report was produced, and the questionnaire was refined and revised.

On completion of the research a detailed verbal debrief supported by a Power Point presentation was provided by RSM Robson Rhodes to the Competition Commission in addition to this written report. The Competition Commission was also provided with a set of data tables and data files in SPSS format.

The figure below shows the sample profile in terms of account value ranks for Emap Glenigan and ABI Building Data Ltd customers that were interviewed against those of the total Emap Glenigan and ABI Building Data Ltd customer bases.

Figure 1a

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Sample profile – Emap Glenigan customers

Profile spread

We monitored our sample by account rank. The value ranks distribution of the sample is broadly representative of this of the total customer base

Expenditure	Sample	Total base
•Rank 1	26%	20%
•Rank 2	27%	23%
•Rank 3	19%	19%
•Rank 4	14%	17%
•Rank 5	14%	20%

The sample is representative of the total customer base and so actionable conclusions about the total customer base can be drawn from these results.

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Figure 1b

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Sample profile – ABI customers

Profile spread

We monitored our sample by account rank. The value ranks distribution of the sample is broadly representative of this of the total customer base

Expenditure	Sample	Total base
• Rank 1	17%	18%
• Rank 2	23%	15%
• Rank 3	22%	21%
• Rank 4	22%	24%
• Rank 5	17%	20%

The sample is representative of the total customer base and so actionable conclusions about the total customer base can be drawn from these results.

All respondents were asked a number of general questions relating to their businesses and sales lead generation services used from Emap Glenigan or ABI Building Data Ltd in order to profile the customers interviewed as well as their attitude and behaviour by line of business, turnover, number of employees and product usage.

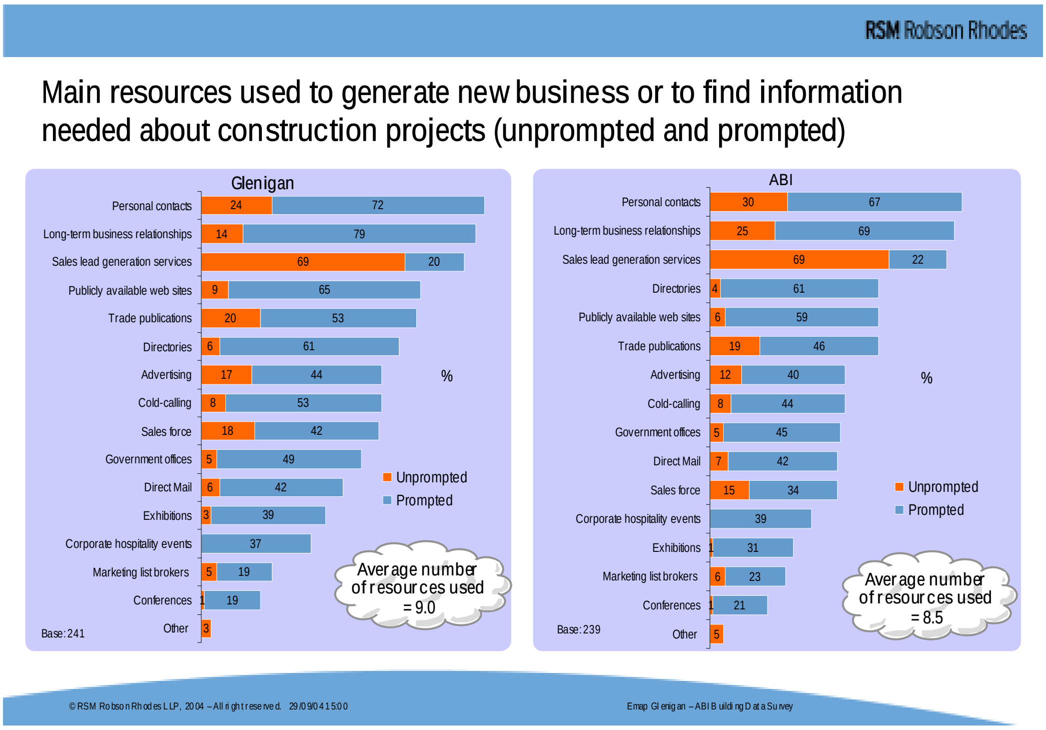
The product usage data distribution shows that the research findings represent the views of users of the different products provided by Emap Glenigan and ABI Building data Ltd.

In addition, in terms of geographical focus Emap Glenigan customers were more likely to subscribe to sales lead generation data covering all regions nationally than ABI customers.

Main Findings

1. Usage and Attitude:

Figure 4

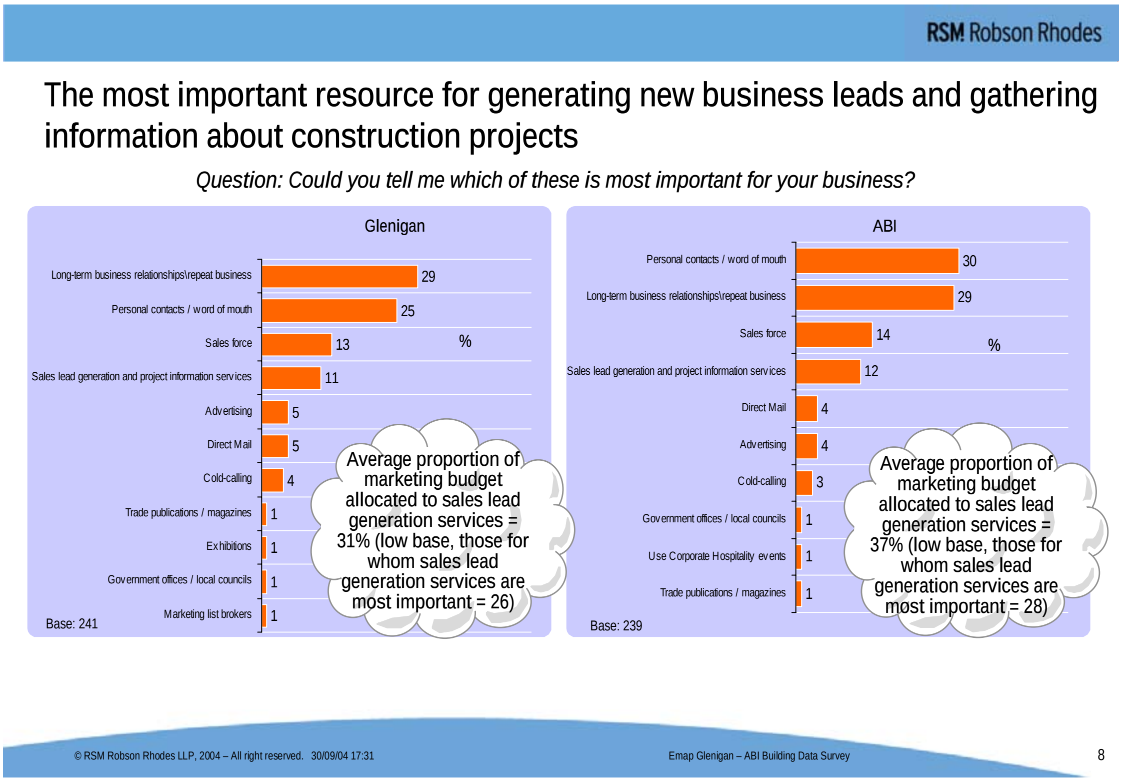


The survey asked customers, both unprompted and prompted, to state what resources they used to generate new business leads or to find information needed about construction projects.

A range of different resources was mentioned on an unprompted basis. The most often mentioned categories were personal contacts, long-term business relationships, publicly available web sites, trade publications, and directories. Figure 4 above illustrates that customers of Emap Glenigan used a range of resources to generate new business, nine different resources on average. Similar results were found with customers of ABI, who used an average of 8.5 different resources.

Sales lead generation services registered a high unprompted score. However, respondents were users of these services and the nature of the survey had been mentioned to customers at the start of the interview. The score might have been elevated as a result of this.

Figure 5



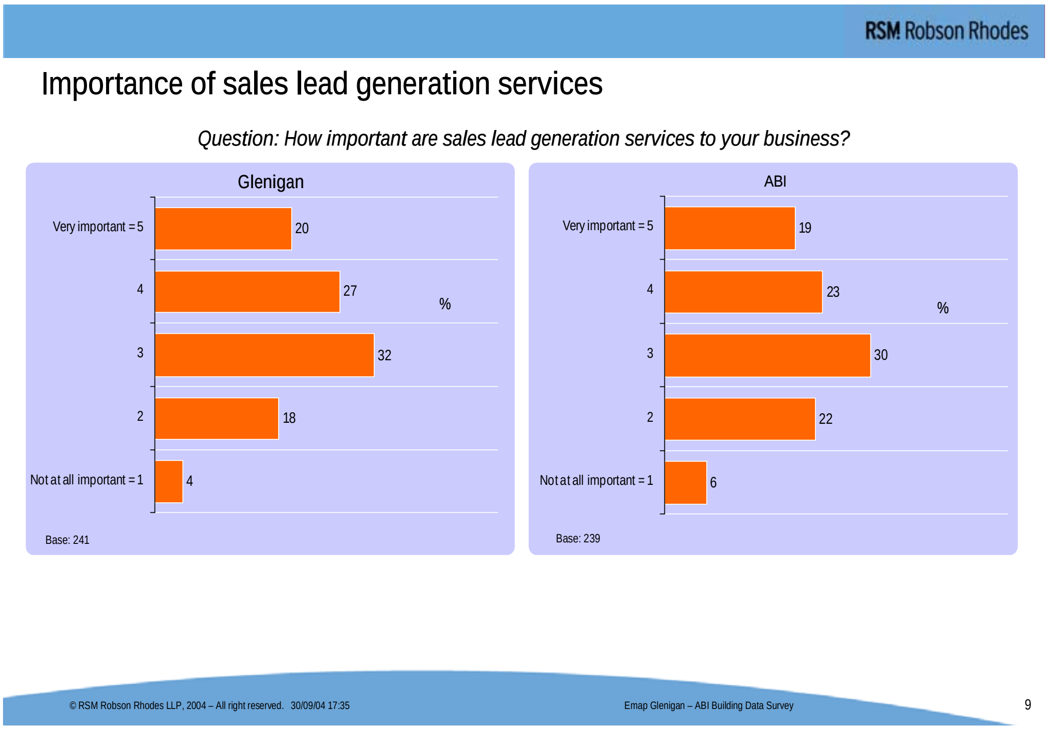
Customers were then asked which one of the resources they were currently using was the most important for generating new business leads for their companies.

Overall sales lead generation services were relatively important, however for both Emap Glenigan and ABI customers sales lead generation services were below the top three resources, which are long-term business relationships/repeat business, personal contacts/word of mouth, and sales force.

There were significant variations in the relative importance of sales lead generation services between different lines of business and account sizes. Sales lead generation services were more likely to be the most important resource for generating new business leads for specific lines i.e. sub- contractors, material manufacturers, and for high value accounts, than for the rest of the customer base.

Emap Glenigan customers for whom sales lead generation services were most important on average allocated 31% of their marketing budget to these services. Amongst ABI customers for whom sales lead generation services were most important, the average proportion of marketing budget allocated to these services was 37%.

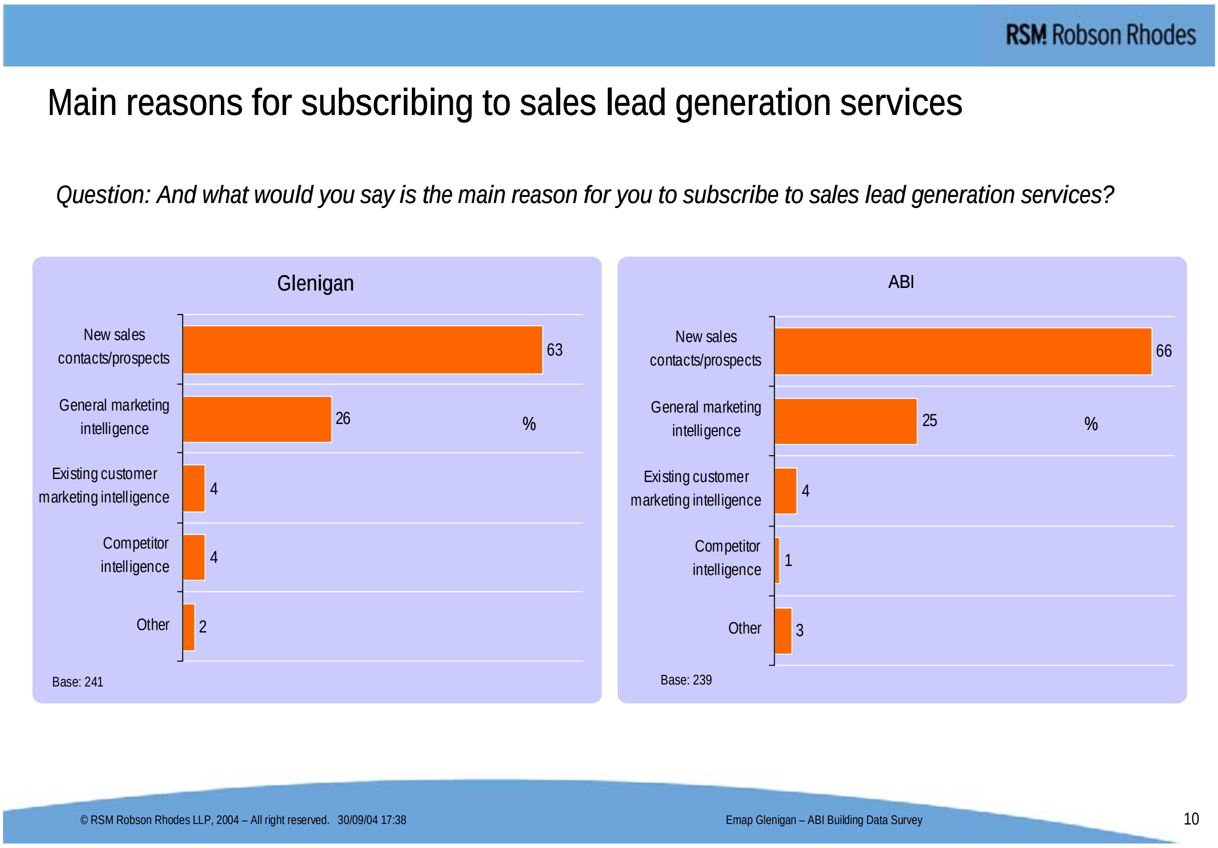
Figure 6



Twenty percent (20%) of Emap Glenigan customers and 19% of ABI customers rated sales lead generation services as very important to their businesses. Overall, around a half of Emap Glenigan customers and 40% of ABI customers said that sales lead generation services were important. Twenty two percent (22%) of Emap Glenigan customers and 28% of ABI customers rated sales lead generation services as either fairly unimportant or not at all important.

Again, there were significant variations in levels of importance of sales lead generation services between different lines of business and account sizes overall. Sales lead generation services were more likely to be rated as very important by sub-contractors, material manufacturers, and by high value accounts, than by the rest of the customer base.

Figure 7

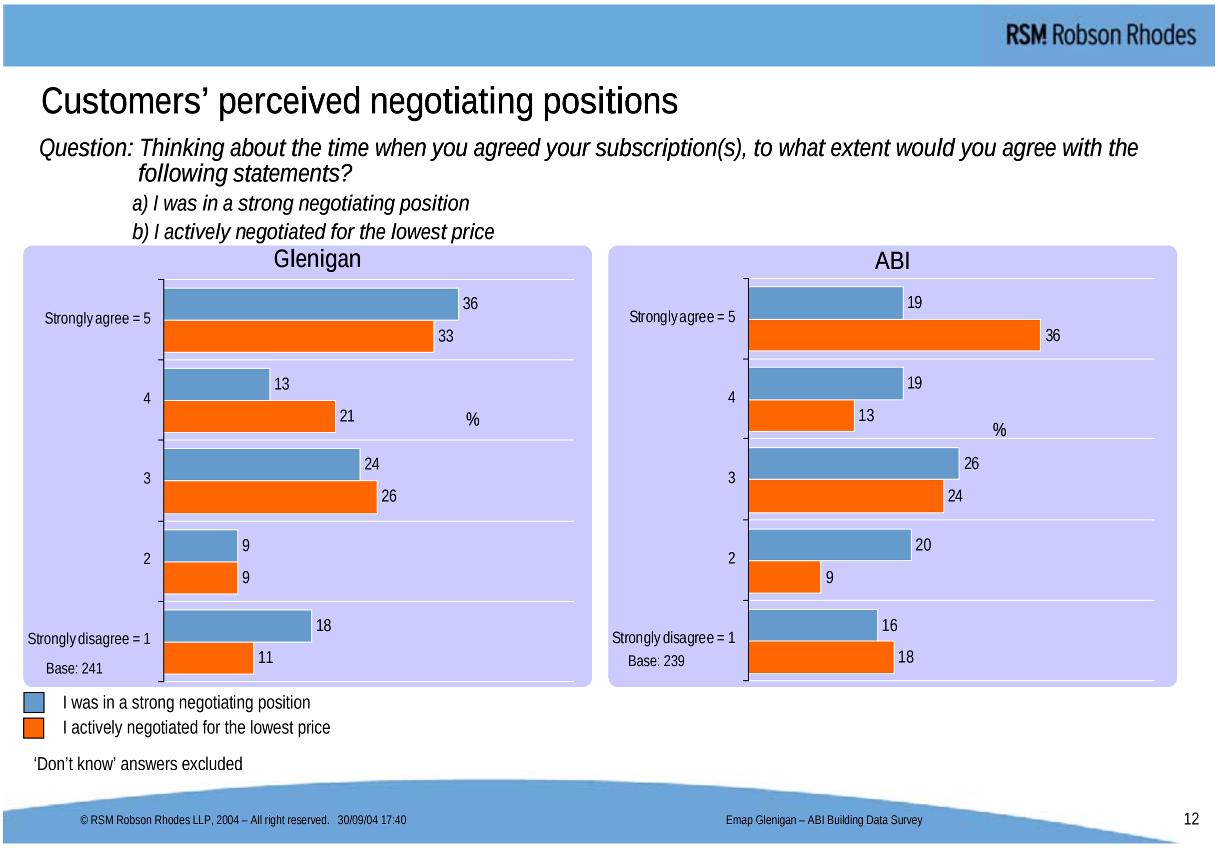


Customers were asked for their main reason for subscribing to sales lead generation services. For the majority of both Emap Glenigan and ABI customers, new sales contacts/prospects was the main reason for subscribing to sales lead generation services. Around a quarter of Emap Glenigan customers and a quarter of ABI customers mentioned general marketing intelligence gathering as their main reason for subscribing to sales lead generation services. Overall, there was a significant variation in the main reasons given for using sales lead generation services between different lines of business, and account sizes. Main contractors and lower value accounts were more likely to use it for general marketing intelligence gathering than other lines of business and other account sizes.

2. Negotiating Position and Awareness of Alternatives:

The extent to which customers believed they negotiated for the lowest price and the extent to which they felt themselves to be in a strong negotiating position when they agreed their last subscription was explored.

Figure 8



As illustrated in Figure 8, 54% of Emap Glenigan customers and 49% of ABI customers believed that they negotiated for the lowest price, with 36% of Emap Glenigan customers and 19% of ABI customers strongly agreeing they were in a strong negotiating position.

One of the aims of the research was to ascertain if customers of Emap Glenigan and ABI believed that they had realistic and effective alternative providers of sales leads generation services and alternative means for generating new business leads. The term alternative providers was used in this report for other providers of sales lead generation services, services similar to these provided by Emap Glenigan and ABI. The report uses the term alternative means for generation new business leads for other ways of generating new sales leads, such as direct mail or advertising. To avoid any misunderstanding, the questions were phrased giving respondents examples of what types of services they were referring to.

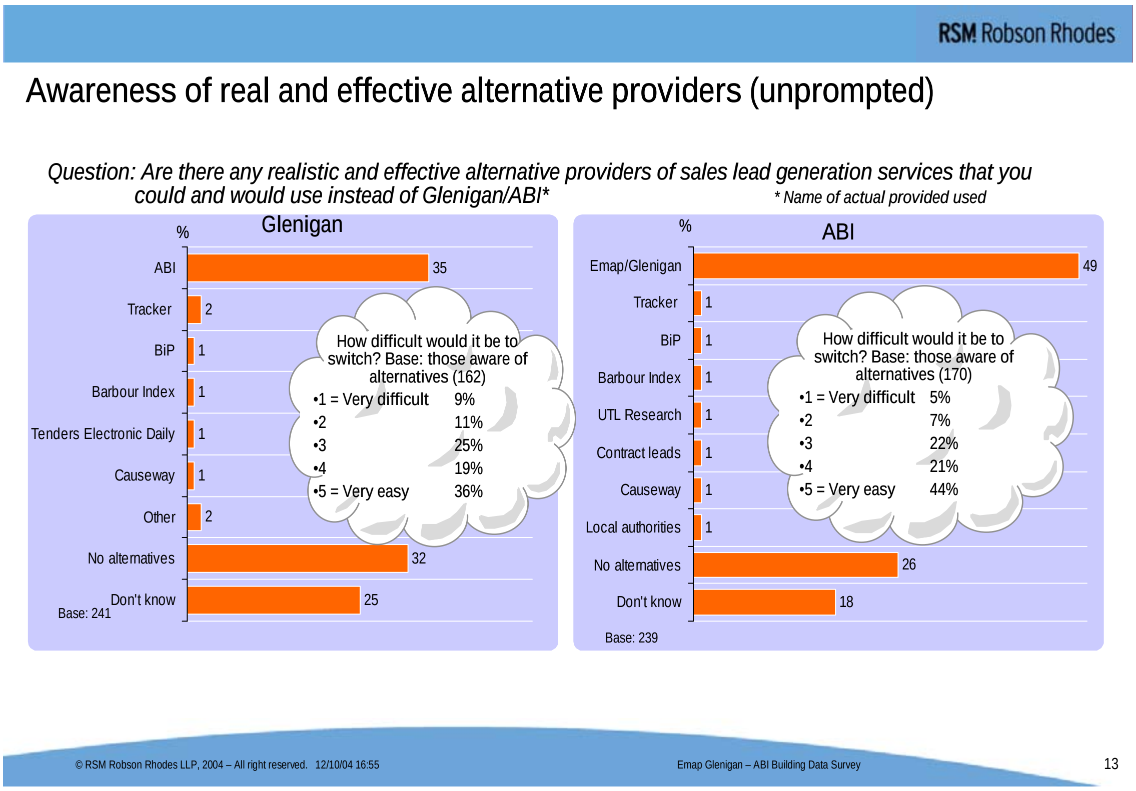
As Figure 9 below illustrates, when asked whether there are realistic and effective alternative providers of sales lead generation services that they could and would use, more than a third of Glenigan customers mentioned ABI as an alternative and almost a half of ABI customers mentioned Glenigan as a potential substitute.

Almost a third of the combined customer bases thought there were no real and effective alternative providers and just over a fifth of customers did not know whether there were any realistic and effective alternatives.

Overall this means that 8% of Emap Glenigan customers thought that they had alternative suppliers other then ABI, and 7% of ABI customers thought that they had alternative suppliers other than Emap Glenigan.

Those customers who said that the service is very important and who also said that they had no alternative suppliers represent 8% of the Emap Glenigan and 12% of the ABI customer bases. Specialist sub-contractors were more likely to say they had alternative providers than the rest of the customer base.

Figure 9



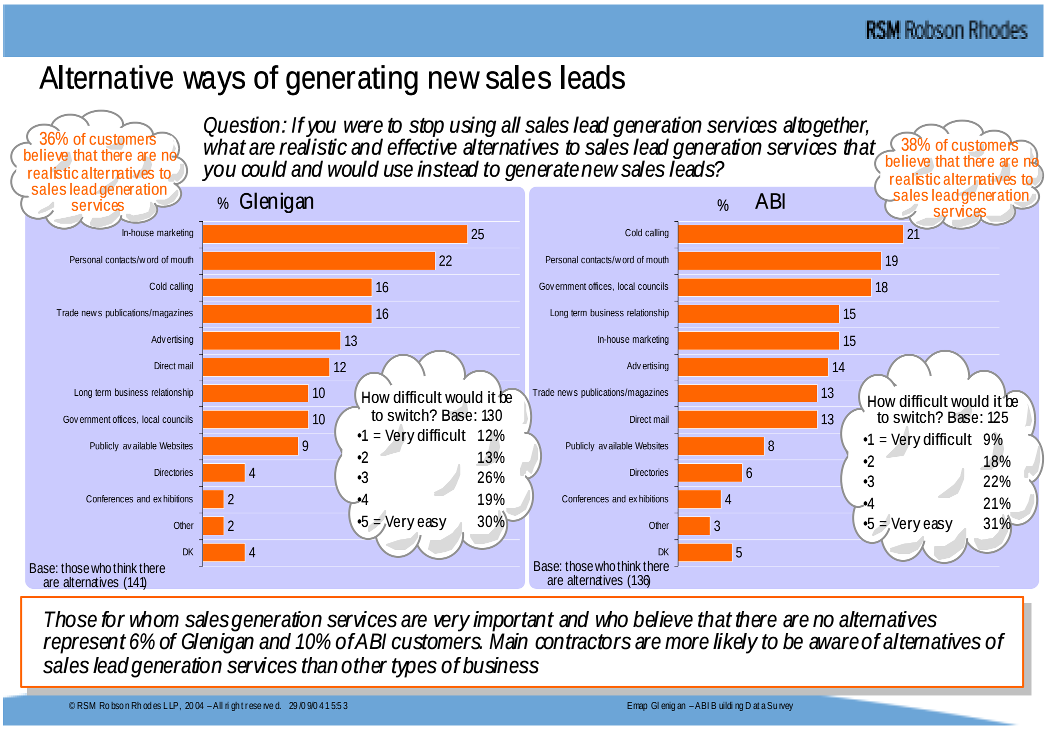
Those who said that they had alternative providers were also asked how easy, in terms of costs and value for their business, would it be to switch to an alternative supplier of sales lead generation services and project contact information services. Thirty six percent (36%) of Emap Glenigan customers and 44% of ABI customers rated it “very easy”.

Respondents were also asked, if they were to stop using all sales lead generation services altogether, whether there were any realistic and effective alternative means of generating new sales leads.

Figure 10 below shows that 36% of Emap Glenigan customers and 38% of ABI customers believed there are no realistic and effective alternative means to sales lead generation services.

Those who believed there were realistic and effective means of generating new business leads were then asked what they believed these alternative means were. In-house marketing, personal contacts/word of mouth, cold-calling, trade news publications, advertising, direct mail, government offices/local councils, and long-term business relationships were cited as the main alternative means mentioned by at least 10% of both Emap Glenigan and ABI customers. Main contractors were more likely to be aware of alternative means than other lines of business.

Figure 10



Those for whom sales lead generation services were very important and who believed there were no alternatives represented 6% of the Emap Glenigan and 10% of the ABI customer bases.

For those customers who thought there were alternatives, when asked how difficult they thought it would be to switch, around a half of the total customer base said it would be “easy”, and around a third that it would be “very easy”.

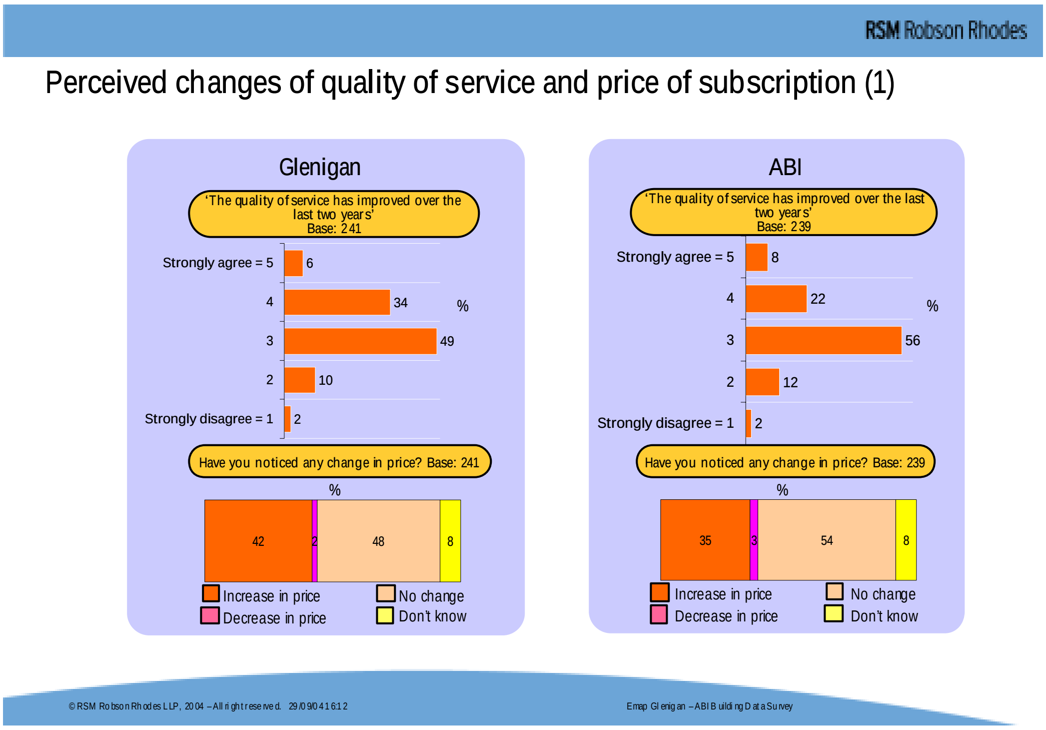
3. Customer perception of Price and Quality:

Customers were asked whether in their opinion the quality of the service had improved over the last two years.

As Figure 11 shows, 40% of Emap Glenigan customers and 30% of ABI customers thought that the quality of service had improved over the last two years.

Customers were then asked whether they had noticed a change in the subscription price in the last two years. Forty two percent (42%) of Emap Glenigan customers and 35% of ABI customers had noticed an increase in price over the last two years, whereas 2% of Emap Glenigan and 3% of ABI customers had noticed a decrease in price.

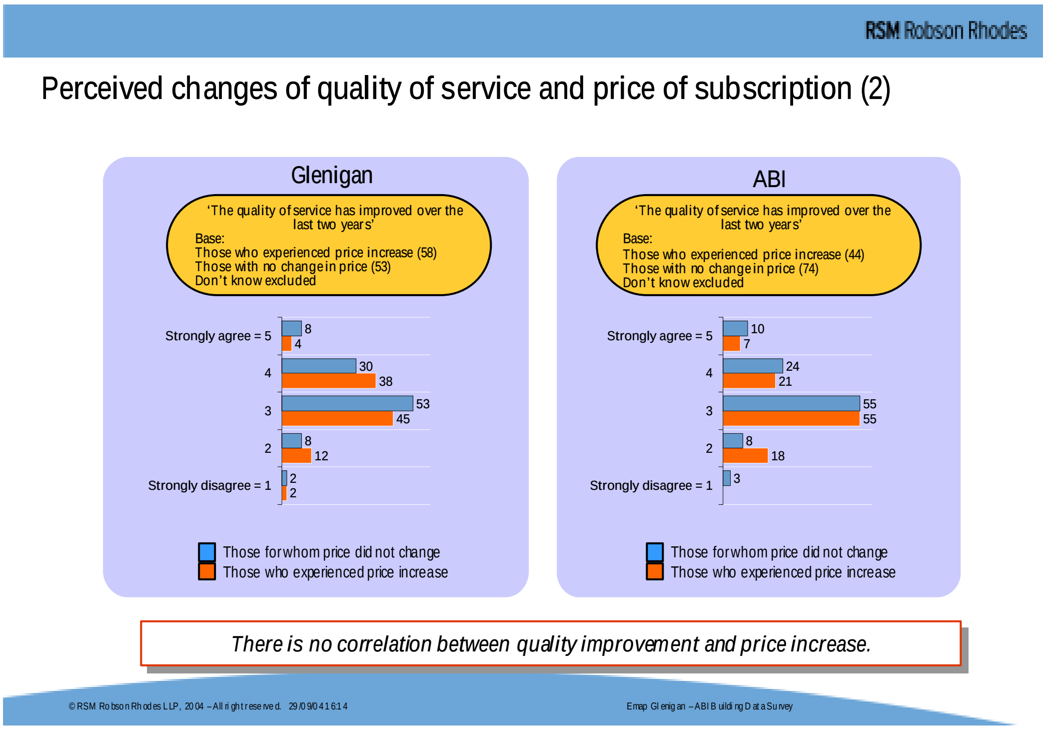
Figure 11



Analysis was then carried out to understand whether there was any correlation between the improvement in the quality of service and the increase in the subscription price.

As illustrated in Figure 12 below, the distribution of agreement scores to the statement that 'the quality of service has improved over the last two years' has similar profile for those who had experienced a subscription price increase and those who did not noticed any change in the price of their subscription. Therefore, the analysis indicated that there was no correlation between quality of service improvement and an increase in the subscription price.

Figure 12

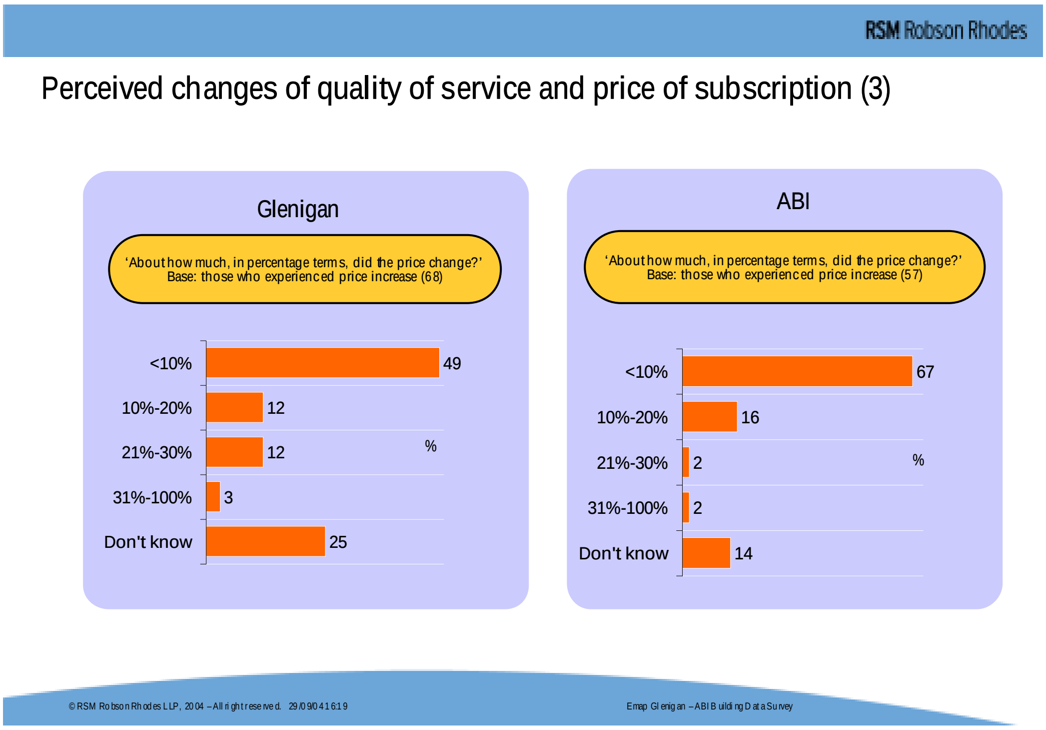


Those customers who noticed a change in price of their subscription were asked by how much, in percentage points, the price had changed. Forty-four percent (44%) of Emap Glenigan customers noticed a change in price (42% noticed an increase in the price of their subscription and another 2% who experienced a decrease in price), and 38% of ABI customers noticed a change in price (35% noticed an increase in the price of their subscription and another 3% experienced a price decrease). It was not possible to distinguish between those respondents who faced a pure price change and those whose costs had changed because the nature of their subscription (e.g. breadth of coverage) had changed.

Figure 13 below shows by how much those who experienced a price increase believed the price of their subscription went up in the last two years.

For Emap Glenigan customers, just under half of those who experienced a subscription price increase, experienced a rise of less than 10%, whilst 27% experienced a price increase of more than 10%. For ABI customers, two-thirds of those who experienced a subscription price increase, experienced an increase of less than 10%, whilst one fifth experienced a rise of more than 10%.

Figure 13



The survey then tested customers' responses to the hypothetical scenario of the annual price of their current subscriptions from any sales lead generation service provider increasing by 10% in order to understand what possible impact such a price increase would have on customer subscription behaviour and customer usage of the lead generation service.

Customers were asked the following question:

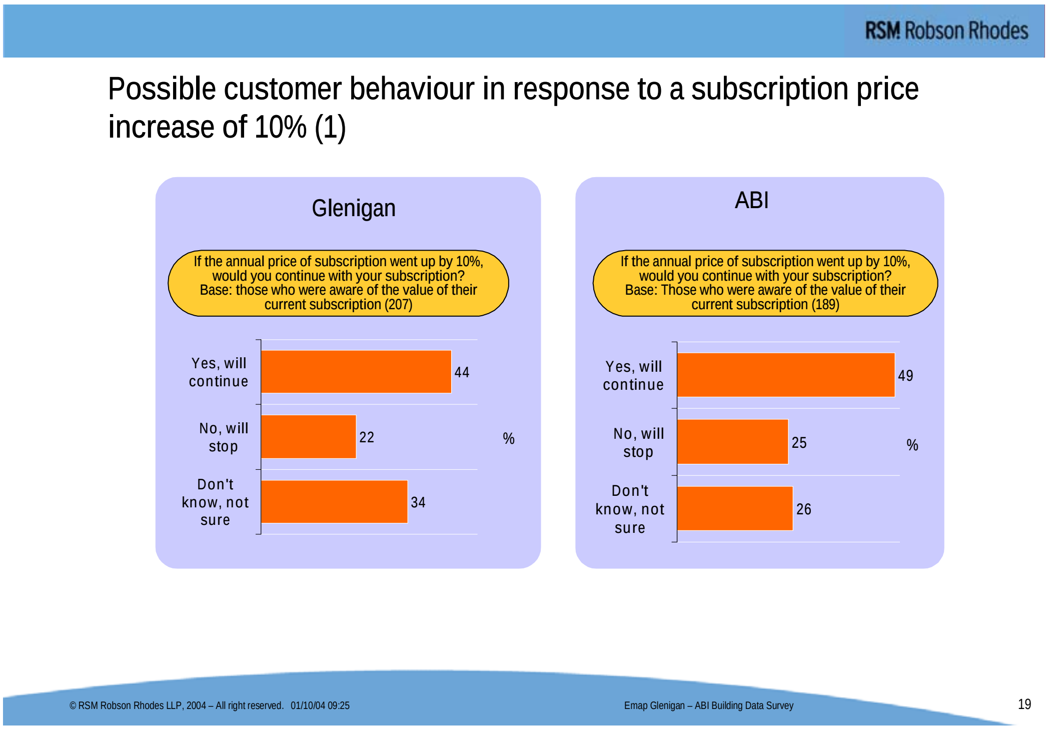
Suppose now that the prices of all the alternative ways of generating new leads that were mentioned earlier (e.g. advertising) that you might use were fixed, but the annual price of your current subscription from any lead generation service went up to <The 10% price increase on the subscription price stated by the respondent was calculated via CATI computing >, would you continue subscribing to this sales lead generation service?

The actual value figure of the subscription cost, which was 10% higher than the one currently paid, was used in order to reduce the risk of misunderstanding. However, it should be noted that respondents were not asked to confirm that the price rise was the reason for stopping the subscription. The question does not ask for respondents to indicate if they would have stopped the subscription in any event.

Those who believed that they would continue with the subscription were also asked whether they would continue using the sales lead generation services at the same rate or would reduce the criteria of the subscription.

Figure 14 below illustrates the potential impact of a 10% price rise upon subscription behaviour. When asked whether they would continue subscribing if prices went up by 10%, 44% of Emap Glenigan customers and 49% of ABI customers believed that they would continue their subscriptions. Twenty two percent (22%) of Emap Glenigan customers and 25% of ABI customers said they would stop their subscriptions, if there were a subscription price increase of 10%.

Figure 14



The proportion of customers who believed that they would stop their subscription if the price of any sales lead generation services were to increase by 10% varies with the value of their current subscription to these services. Figure 15 shows that for account values Rank 1 (representing the 20% of most valuable customers), 21% of Emap Glenigan customers and 19% of ABI customers believed that they would stop subscribing to sales lead generation services altogether as a response to the hypothetical subscription price increase of 10%.

The relatively high number of people who were not able to give a definite answer to this question can most probably be explained by the complexity of this decision. However, at least 22% of the total Emap Glenigan customer base and at least 21% of highest value accounts believed that they would definitely stop subscribing if the subscription price were to increase by 10%. Similarly, at least a quarter of the total ABI customer base and at least 19% of ABI highest value accounts believed that they would definitely stop subscribing if the subscription price were to increase by 10%.

Figure 15

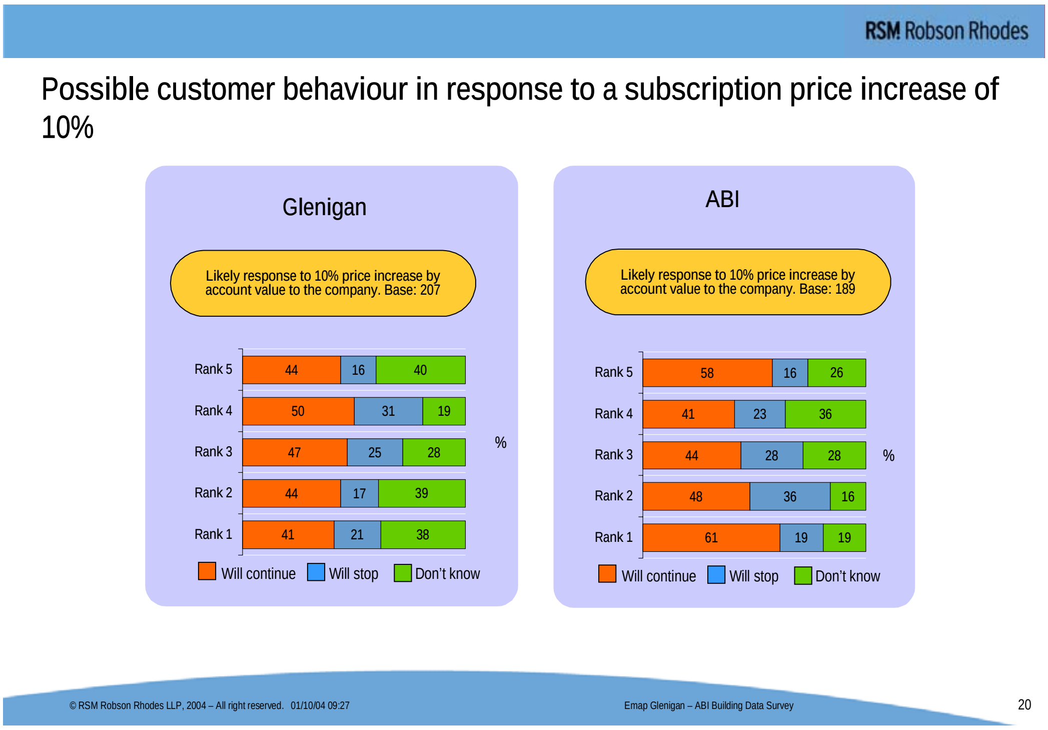
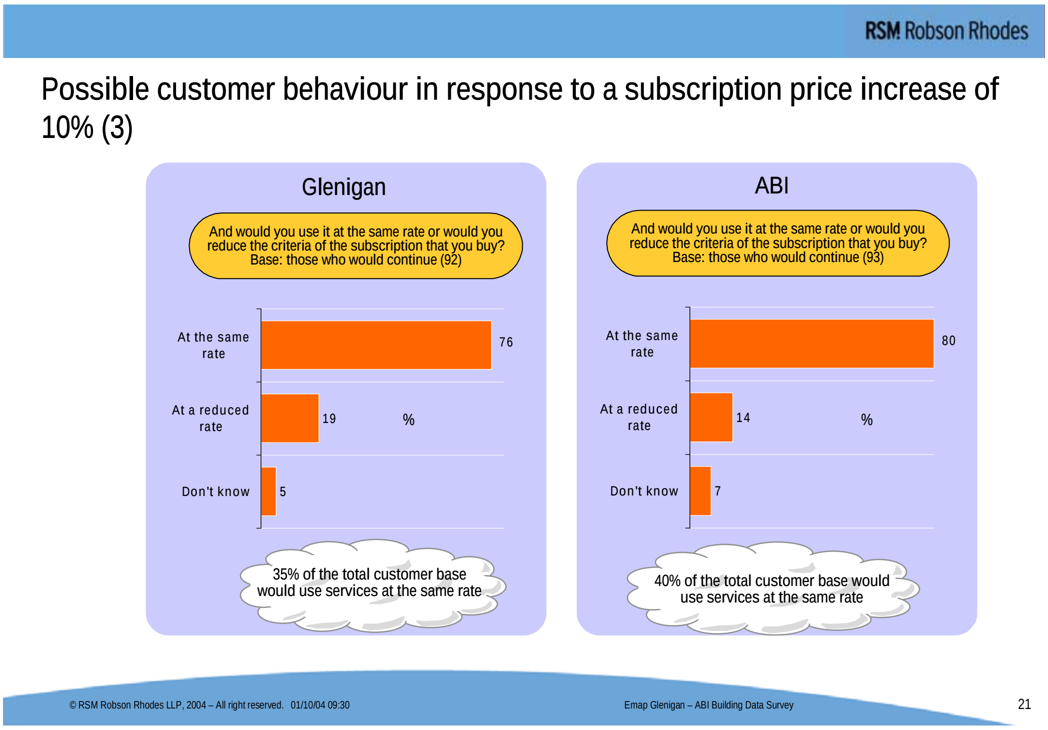


Figure 16 shows that 76% of Emap Glenigan customers and 80% of ABI customers who believed that they would continue with their subscription to sales lead generation services if the subscription prices were to increase by 10%, would continue to do so at the current subscription rate. Another 19% of the Emap Glenigan customers who would continue subscribing and 14% of the ABI customers who would continue subscribing would use sales lead generation services, but at a reduced rate. Therefore of the total Emap Glenigan customer base, 35% believed that they would definitely use the services at the same rate, should the subscription price increase by 10%. Two-fifths of the total ABI customer base believed that they would continue using the services at the same rate, should the subscription fee increase by 10%.

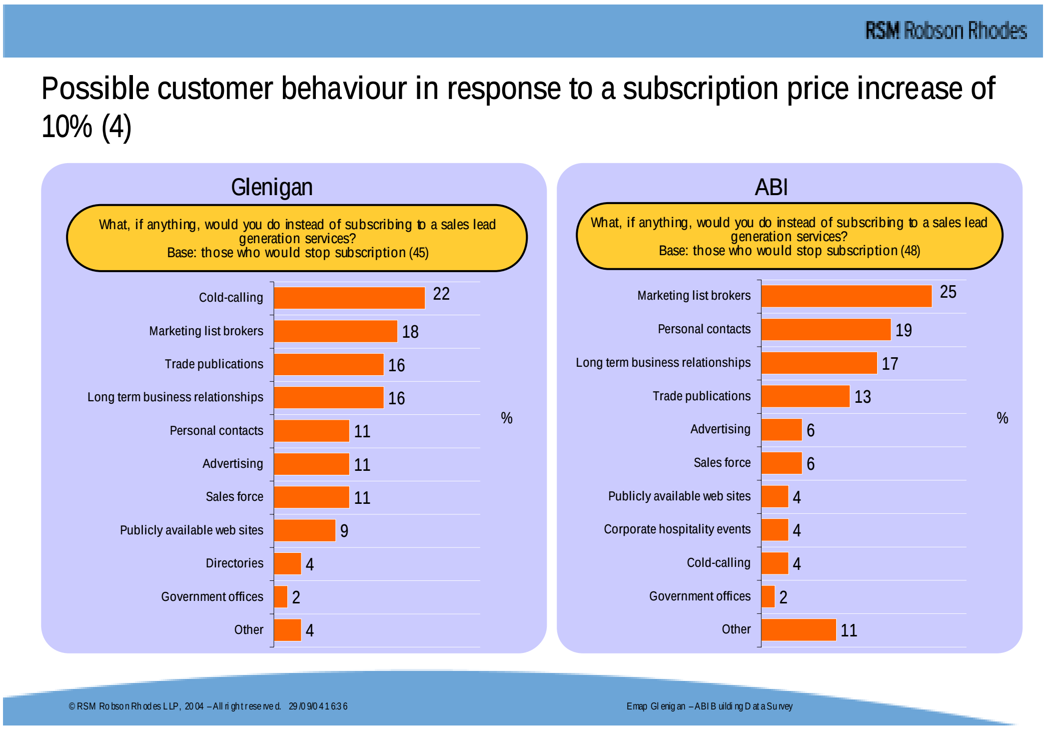
Figure 16



The survey also explored the alternative means of sales lead generation services that would be used by customers, who believed that they would stop the subscription as a result of the hypothetical price increase of 10%.

As Figure 17 illustrates, those customers who would stop their subscriptions if the subscription prices were to increase by 10%, would use a range of alternative means such as cold calling, marketing list brokers, trade publications, long-term business relationships, personal contacts, advertising and sales force. Again, the question has not established that customers would end their subscription because of the 10% price increase.

Figure 17



Finally respondents were asked whether there was an annual subscription price at which they would not subscribe. Nine percent (9%) of all who answered the question said that they would always subscribe. A further 15% said that they would stop subscribing at their current subscription price.

For those who were aware of their sales lead generation service's annual subscription price and who also answered this question, the price increase at which they would stop subscribing was calculated in percentage terms of the price of their current annual subscription. Figure 18 below shows the distribution of subscription price increases at which customers would stop subscribing to sales lead generation services.

Eight percent (8%) of all respondents who answered this question and were aware of their annual subscription cost stated that they would only stop subscribing if the price increase is above 100% of their current annual subscription price.

Table 2 below shows that the majority (65%) of those who believed that they would stop subscribing if the annual subscription prices from any sales lead generation service provider were to increase by 10% gave a consistent answer when asked at what annual subscription price they would stop subscribing. However, twelve percent (12%) of those who had said that they would continue subscribing if the annual prices were to increase by 10% gave inconsistent answers when asked at what annual subscription price they would stop their subscription.

We believe that several factors could have contributed towards these inconsistencies in responses. Firstly, the response rate to the question about the subscription price at which they would stop subscribing was generally low. A high proportion of respondents did not know at what annual subscription price they would stop subscribing. The calculation of the percentage of price increase on respondents' current subscription prices was based on the subscription price stated by the respondents. There was a relatively low awareness of the annual subscription price. Therefore the percentage price increase to the current subscription price was calculated for less than a half (214 respondents) of the total sample.

The fact that the question of the price at which customers would stop subscribing was the last question in a complex questionnaire might also have contributed to the inconsistent responses.

Figure 18

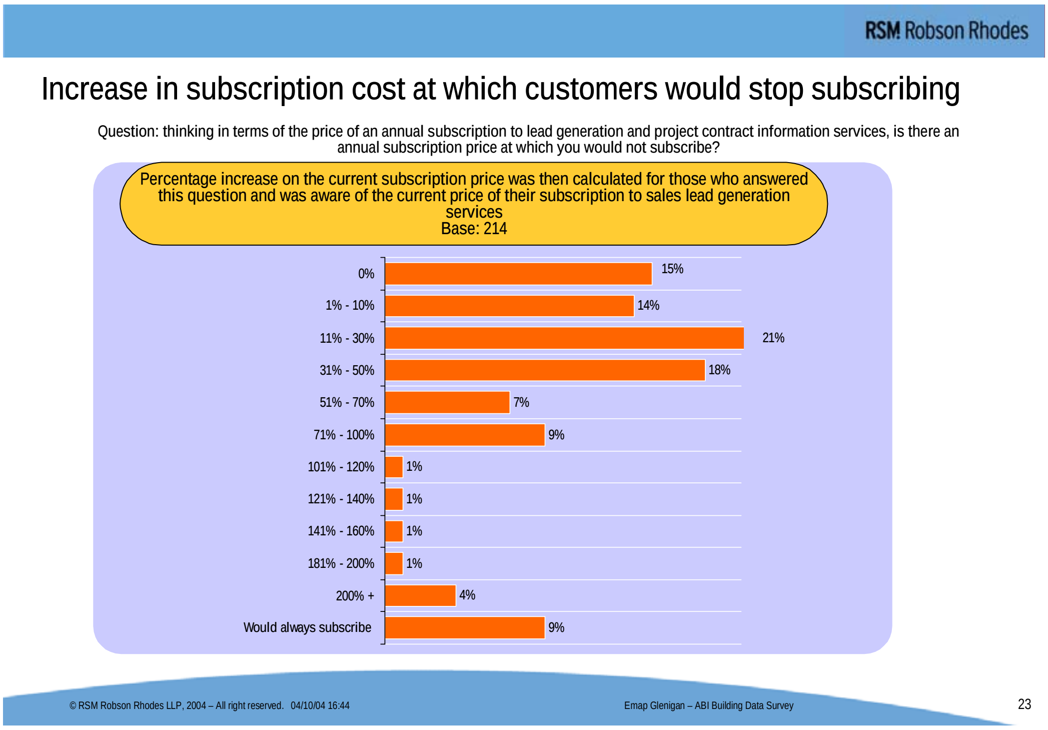


Table 2

Increase in price at which would stop subscribing	Response to a hypothetical price of 10% increase from all providers	
	Would continue (Base: 121)	Would stop (Base: 63)
0%	7%	33%
1% - 10%	5%	32%
11% - 30%	22%	13%
31% - 50%	27%	-
51% - 70%	6%	10%
71% - 100%	12%	5%
101% - 120%	1%	3%
121% - 140%	2%	-
141% - 160%	2%	-
181% - 200%	1%	2%
200% +	7%	-
Would always subscribe	8%	3%

Summary of Main Findings

- Sales lead generation services were one of many sources used for generation of new business leads by customers.

- Sales lead generation services were perceived to be less important than other means of generating new business, such as long term relationships, personal contacts, word of mouth and sales force.

- Sales lead generation services were perceived to be ‘very important’ by around a quarter of customers across the total Emap Glenigan and ABI customer bases.

- Almost a third of customers of both companies said that they had no realistic and effective alternative providers of sales lead generation services. Over one third of Glenigan customers mentioned ABI as an alternative provider and almost one half of ABI customers mentioned Glenigan as an alternative.

- Almost two thirds of the customer base believed that there were realistic alternatives to sales lead generation services that they could and would use if they had to stop using sales lead generation services.

- Around a half of customers perceived that they actively negotiated for the lowest price and over a third of customers believed they were in a strong negotiation position.

- Twenty two percent (22%) of Emap Glenigan customers and 25% of ABI customers said they would cancel the subscription if subscription prices of all sales lead generation service providers were to increase by 10%, although they were not asked whether the price increase was the reason for cancelling the subscription.

- Twenty one percent (21%) of the Emap Glenigan highest value accounts (Rank 1) and 19% of the ABI highest value accounts say that they would stop subscription if the subscription prices of all sales lead generation service providers were to increase by 10%.