

**VNU Entertainment Media UK/Book Data merger inquiry:  
issues statement**

The Competition Commission has sent an issues letter to the main party, VNU Entertainment Media UK Ltd (VNU), in its inquiry into VNU's acquisition of Book Data Ltd, which took place in July 2002.

The Commission has identified a number of issues that it wishes to consider, arising from the information received to date from VNU, from other interested parties and from other sources. Analysis of these issues — and any others which may be identified as the inquiry proceeds — will help the Commission reach conclusions on the question whether the merger operates, and/or may be expected to operate, against the public interest.

An issues letter is always sent to main parties before the Commission has reached any conclusions and is designed to highlight those matters which have been identified by the investigating group for further consideration, and to ensure that nothing significant has been missed. The purpose of making the statement of issues public is to inform all interested parties and give them an opportunity to raise any further points with the Commission. The Commission would be grateful to receive any written views which interested parties may wish to present by **31 December**.

The issues the Commission has identified are set out below.

## **Jurisdiction**

1. The Competition Commission's provisional view is that the merger qualifies for investigation because it would increase the share of supply of commercial bibliographic data products and services in the UK by VNU Entertainment Media UK Limited (VNU), whose share already exceeds 25%. Your views are invited.

## **Market definition**

2. The issue is whether the principal relevant markets for the inquiry may be defined in the following terms:

- a) the supply in the UK of commercial bibliographic data products and services relating to books published in the UK; and
- b) the supply in the UK of electronic systems and services, tailored to the requirements of the book trade, to facilitate book ordering.

3. In relation to (a), one question is whether commercial bibliographic data is in a separate market from catalogue-quality bibliographic data. A second question is whether commercial bibliographic data lies in the same market as alternative sources of bibliographic data such as book wholesalers' databases, publishers' catalogues and free bibliographic database websites (e.g. Amazon.co.uk).

4. In relation to (b), one question is whether electronic order routing systems, such as VNU's TeleOrdering service, are in the same market as electronic data interchange (EDI) services such as Book Data's First Edition . A second question is whether EDI services designed for the book trade, such as First Edition, are in a separate market from other EDI services.

5. In addition the Group will explore whether the supply of catalogue-quality bibliographic data is another relevant market for the inquiry given that earlier this year VNU bid for the British Library's contract for cataloguing-in-publication (CiP)

services in competition with Bibliographic Data Services Ltd, a company in which Book Data has a 40 per cent shareholding.

6. In its approach to market definition the Competition Commission is minded to follow the approach set out in the draft guidelines for merger references published by the Commission on 17 September 2002, including the use of the SSNIP (small but significant non-transitory increase in price) test: see paragraphs 2.6 to 2.34 of the guidelines. The guidelines can be found at <http://www.competition-commission.org.uk/inquiries/ebmerg.pdf>.

### **Public interest issues**

7. On the hypothesis that:

- a) the Competition Commission finds that the principal relevant markets may be defined as indicated in paragraph 2 above; and
- b) there is reason to believe – e.g. as a result of high shares of supply – that the merged VNU/Book Data may be able to exercise market power in those markets,

the Group will then explore the issues listed in paragraph 8 below in considering whether the merger operates and/or may be expected to operate against the public interest. These issues will be considered separately in relation to the two markets identified in paragraph 2. (*Note: some of the points listed are also relevant to the consideration of market definition.*)

8. i) Whether VNU and Book Data were close competitors in the two markets before the merger.

- ii) What could be expected to have happened in the absence of the merger, given that Book Data was put up for sale? This raises the issue whether there is room for more than one major supplier of commercial bibliographic data in the UK.
- iii) What is the strength of various possible competitive constraints on the merged company:
  - actual competition from other suppliers already in the relevant markets
  - the threat of entry (including consideration of entry barriers)

- countervailing buyer power among customers (exercised by finding alternative suppliers, supplying the services themselves, or inducing entry of a new competitor)
  - the influence of suppliers of data, notably publishers
  - any other factors?
- iv) Whether, in the light of these factors, the merger may be expected to lead to:
- prices being higher
  - quality of product or service being reduced
  - choice being reduced
  - innovation being reduced
- compared with the position that would be likely to have applied in the absence of the merger.
- v) Whether the merger may be expected to give rise to resource savings as a result of:
- economies of scale and the merged company’s ability to eliminate duplication in the aggregation of bibliographic data,
  - publishers needing to supply data to only one bibliographic data agency rather than two.

Whether any cost savings achieved by the merged company may be expected to be used to improve product quality, choice and innovation, and/or to reduce prices.

9. In relation to catalogue-quality bibliographic data services (see paragraph 5 above), the Group will explore the relationship between Book Data and BDS and whether the merger might be expected to lead to a reduction in competition for the British Library’s CiP contract in future.

### **Hypothetical remedies**

10. On the hypothesis that the Competition Commission might conclude that the merger is against the public interest because of loss of competition leading to adverse effects of the kind postulated above, the Group would like to consider the following points in relation to possible remedies:

- a) whether there are any practicable behavioural undertakings which would effectively address such adverse effects;
- b) whether there are measures which could be taken to reduce barriers to entry, e.g. by requiring the merged company to supply the basic content of its bibliographic database as it stands at a specified time, and to grant a licence for its use in a rival business, the terms of such supply and licence to be approved by the Director General of Fair Trading (DGFT);
- c) whether it would be practicable to require the merged company to divest the Tele-Ordering service or Book Data's First Edition subsidiary; and
- d) whether there would be practical difficulties in requiring the merged company to divest either the former Whitaker commercial bibliographic data business or the equivalent Book Data business to a buyer approved by the DGFT; and whether any other measures would be needed to make the divestment effective.

#### **Notes to Editors**

- 1. The reference concerning the completed acquisition by VNU of Book Data was made under the Fair Trading Act 1973 on 23 October 2002 (see DTI Press Notice P/2002/643).
- 2. VNU acquired Book Data on 16 July 2002.
- 3. Further information will be provided on the Commission's website at <http://www.competition-commission.org.uk/inquiries/>
- 4. Enquiries should be directed to: Francis Royle, Press Officer, Tel: 020 7271 0242