

Advertiser survey commissioned by Newsquest from IRN Research

Introduction

Background and Purpose

In 2003, the DTI asked the Competition Commission to look at the sale of 23 newspaper titles, distributed in the Greater London Area, currently owned by Independent News and Media Limited, to Gannett, the parent company of Newsquest (London) Limited.

Research Objectives

The key objectives of the research were:

- to explore the geographic focus of current advertising behaviour and current behaviour in general;
- to examine the uses of different media and how these compete and complement each other;
- to identify the attitudes towards the proposed merger;
- to explore differences, as far as possible, across different types of goods/services being advertised.

Method and Sample

- IRN undertook 29 qualitative telephone interviews with advertisers in local and regional newspapers and specialist publications in London. These were of a similar length to the interviews commissioned by the Competition Commission.
- The sample frame was assembled from an analysis of the advertisements in the local titles under review as well as those in alternative titles and media (eg a comparison of advertisers in local titles with a breakdown of goods and services against those in niche publications such as *Autotrader*, *Exchange and Mart*, London based publications such as *Metro* and the *Evening Standard* and alternative Media such as Internet, Teletext, bill posters, local radio, retail outlets etc).
- Advertisers from the following sectors were interviewed: property, recruitment, cars, home improvement, and other (restaurants, second-hand goods and computers)
- Advertisers were chosen to represent the key locations of interest to the Competition Commission (ie North-West London, North-East London and South-East London). However, in contrast to the original Competition Commission research, IRN also interviewed advertisers which targeted the whole of London and advertisers which targeted multiple localities (but not the entire London region)—including at least one of the three main locations of interest
- The fieldwork took place between 17th July and 21st July 2003.

Analysis of the Interviews Undertaken by IRN Research, July 2003

London Local Target Market

Sector	London-wide	North East	South London	North West	Pan-local*	Total
Property	0	1	3	2	1	7
Recruitment	2	1	2	2	1	8
Cars	2	1	2	1	0	6
Home Improvements	3	0	1	0	1	5
Other	0	0	2	1	0	3
Total	7	3	10	6	3	20

*Target more than one local area of London but not the entire London Region.

Summary and conclusions

Main Findings

In terms of the current use of advertising, IRN's research demonstrated that:

- Non-newspaper advertising exerts an important competitive pressure on the local newspaper advertising market, especially in key sectors like recruitment and property.
- Specialist publications like *Autotrader*, *Police Review* and *Nursing Times* compete strongly against the local press in specific sectors of the market.
- The newspaper advertising market in London cannot be seen as specifically local. Even advertisers that targeted a specific locality often used regional advertising media to target that locality.
- Advertisers that target the London-wide market or have a multi-local focus may still use local newspapers, although these are generally of secondary importance. Many of these advertisers have very substantial budgets and are very significant players in the London newspaper advertising market.

In terms of the impact of the merger, IRN Research shows that:

- Most advertisers would take action that would mitigate the impact of any rising advertising rates (the main concern for advertisers). The key actions likely to be taken are:
 - switching advertising to alternative media away from local newspapers generally
 - switching advertising to local papers not affected by the merger
 - reducing advertising frequency or size of ad to cut costs
 - only advertising if sufficient discounts are offered
- The elasticity of demand for advertising in the merger-affected titles is generally high therefore any increase in advertising rates would see a fall in demand for local newspaper advertising and a switch to alternative titles and other media.
- Advertisers fall into the following groups:
 - those that seemed generally unconcerned about the merger, mainly because they have alternative channels to use if the merger results in higher advertising rates. The majority.
 - those that see potential benefits in the merger. Some advertisers, both London-wide and local, would like to see fewer local titles and/or local titles that cover a wider geographic area.

- those that might see adverse effects to the merger, mainly those making relatively heavy usage of local papers. The main concern among these advertisers was a potential increase in advertising rates and, to a lesser extent, a possible change in geographic coverage of titles. Most, however, seemed only mildly concerned and some had the option of using alternative media and titles, if the titles affected by the merger were to increase their rates.

IRN Findings

Current Media Used

Local Advertisers Using Non-Local Media

IRN research demonstrates that even locally based businesses use region-wide and even national advertising media. Local papers do not operate in isolation and when competing for advertising compete not only against rival local titles but also against regional titles and other regionally targeted publications.

Example 1

An East London property letting and estate agency spends around £140,000 a year on London property advertising, including ad spending in the national press (mainly weekend papers), London regional property papers, local papers, telephone directories and the Internet. Most of its spending is in newspapers but it is trying to move away from a high reliance on the Press as it considers it too expensive. The Internet has been very effective in recent months, especially via property sites and is a much cheaper option than the Press. Currently, the national papers are almost as important as London property papers. Main London-based titles used are *Hot Property*, *Loot* and the *Hackney Gazette*. They continue to use local papers but think the main title in their area, *Hackney Gazette* is ‘rubbish’ so they also use titles in adjacent boroughs: there are three or four local papers they can choose from and all these are much better than the *Hackney Gazette*.

Example 2

A local franchise for a premium Japanese car firm, based in Beckenham, sells new and used cars. They advertise in local newspapers—*Newshopper*, *Kentish Times*, *Bromley Express*—the *Evening Standard* (their main channel), plus car trading publications like *Autotrader* and *Exchange and Mart*. The key factor which influences the media and title used is results, ie response to ads, with the *Standard* generally providing the best response for them.

Example 3

The company is a local franchise for a Japanese car and industrial group. It has become the first ‘all-products’ sales centre for the company in Britain selling not just cars and motorcycles but also power equipment, lawn mowers, and power boats under one roof. It uses a mixture of ads but mainly in order of importance are: specialist press, led by *Autotrader*, *Autotrader* (for performance cars), *Exchange & Mart*, specialist motorbike and boating magazines; web sites (their own site plus specialist car/bike/boat sales sites); regional papers, predominantly *Evening Standard* for all-capital coverage; ads in local London press mainly via the local *Richmond Twickenham Times* series of papers. The specialist press and Internet are the most important so what happens to London press is less significant.

Example 4

The company is a very small, locally based supplier of home improvement products in South London. It has a very small advertising budget—approx £1,000–£1,500 a year maximum—because business is good and it relies mainly on regular customers/word of mouth. The only advertising undertaken in the last

three months has been in Loot because Loot contacted it and offered a very good discount. It took up the offer but is not a regular advertiser. The company tends to react to offers from local media rather than have a marketing programme. If business slackens, then local advertising would become important but it is more likely to be London-wide titles, e.g. Loot, rather than local newspapers.

Example 5

The company is a South London restaurant, which has just undergone a change of ownership. The new owner has only just reopened the restaurant under his management. Being a small restaurant he does not spend heavily on advertising, although because he is re-launching the restaurant his spend is significant (for his business) at the moment. He uses only local/regional newspapers, and has so far used the *Croydon Guardian*, *South London Press*, some other local free press and the *Evening Standard*. Because he is building his business up, he intends to invest fairly heavily in newspaper advertising over the coming weeks, after which he expects to reduce his spend once he has built the restaurant's reputation and a loyal customer base. After this, he intends to advertise less frequently, possibly relying more on media like *Yellow Pages* and *Thomson*.

Example 6

The company sells second-hand goods. It operates in South-East London and Kent. It spends approximately £60,000 per year on advertising, with most of its advertising is in the *Kentish Times* although it also advertises on the Internet and *Exchange & Mart*. It is perfectly happy with its mix of promotion.

Region-Wide Advertisers

Many large organisations, which advertise to the whole of London or across local areas, still use local newspaper advertising. Many of these organisations have large budgets and cannot be excluded from the picture when assessing the local advertising market. Many of these use local advertising for specific purposes, such as:

- recruiting local administration staff
- brand building at a local level
- trying to sell property across more than one local territory
- to pilot advertisement campaigns

While local newspaper advertising may represent a small share of their overall advertising budget, they still remain important consumers of local advertising. However, their ability to switch advertising to other media indicates a high degree of substitutability between local newspapers and other media.

Example 1

A recruitment company recruits secretarial/clerical staff for organisations in the City and West London. There are four main offices. By far the most important channel for ads is the *Metro* daily newspaper. It reaches more of the people they need to target than any other channel. They also place 'sporadic' ads in the *Evening Standard* and *Times*. With a recently opened office in Hammersmith, they have started to use Hammersmith local papers plus the *Richmond & Twickenham Times* series. They also occasionally run tube poster ads for specific campaigns and they are also using their own web site plus links to various recruitment web sites, although the press is still the most important by some distance. They would like to use radio as it is considered a very effective way of reaching people but it is too expensive in London. The key criteria for placing ads in the main media titles used is that they reach the people they deal with, ie people looking for employment etc.

Example 2

The company is a high-volume, low-cost supplier of new and used cars (5,000+ cars in stock at any one time). It targets the whole of London. The key advertising channels are high circulation car magazines, eg *Autotrader*, *Auto Express*, *What Car*, used by those most likely to be actively looking for a car. It has also tried advertising in other car magazines, such as *Top Gear*, but these are not considered that good as they are not targeting car buyers but car enthusiasts. It also has a weekly advert in the *Sun* and regular ads in *Loot* and *Exchange & Mart*. (*The Sun* for circulation and other two again because used by many likely to be looking for a car). Internet ads via its own Web site plus alliances with various other sites, eg *Fish4.co.uk* are also used. The company used to use local London newspapers but has now switched to other forms in the past three or four years because it considers local papers as low circulation and unable to target the core market, ie car buyers. However, it would not rule out using locals again for specific campaigns/pilots.

Example 3

A prestige car dealership targeting the whole of London spends around £150,000/month on print advertising in the London area. The main bulk of that goes on advertising in the National Sunday editions sold into London, mainly *Sunday Times* and *Sunday Telegraph*. It also uses the *Evening Standard*, very occasionally, and advertises in 20 local newspapers including the *Newshopper* series and *Bexley Times*. The national Sundays are by far the most important media, they have proven to be far more effective at generating response to their ads than either the *Standard* or the locals, however, the locals work well in building the company's brand name and image at a local level.

Segmented Advertising

Many large-scale organisations and especially those that are using the print for recruitment purposes, segment their advertising depending on the target audience of the publication. Consequently, local print only influences a share of these advertisers overall advertising activity. In particular, many jobs requiring vocational skills are advertised outside of the local press. Local titles are used mainly for jobs requiring generic skills and, in this market, they not only compete against each other, but also regional titles.

Example 1

A local NHS trust in North West London places many recruitment adverts across a range of titles. The jobs on offer determine the choice of media. As a rule of thumb, vocational jobs are advertised in vocational journals. For example, nursing jobs are generally advertised in the *Nursing Times*. High level administration positions were advertised in the *Health Service Journal* and lower level administration jobs, particularly part-time jobs are advertised in the local paper. Very occasionally they use a London-based newspaper such as the *Evening Standard* (not very effective) but they also use the NHS Web site, Job Centres and a Vacancy Bulletin that they circulate in the Trust and in other Trusts. The choice of media for each position was determined on the basis of effectiveness. All applicants are invited to state where they heard about the position on the application form and this is the basis of the media assessment. Only the local administration positions are advertised in the local paper and in the case of this advertiser, they generally used titles not affected by the proposed merger.

Example 2

A local branch of a national charity uses a broad range of titles and media but the choice of media is dependent on the positions they wish to recruit for. At a Chief Executive level they may advertise in the national press, normally the *Guardian* and on their web site. For fund raising type positions they may occasionally go to specialist fund-raising magazines. Most of their adverts in local titles are for local support staff and they have never advertised in the *Evening Standard* or the *Metro*. The most important local publication is the *Harrow Observer*. When they are deciding to place a recruitment ad they discuss it with their agency and they decide which publications to place the ad in. It is based on experience and current deals. They also advertise on the web, often linked with other disability cause organisations.

Example 3

A national charity based in London sometimes uses local papers to advertise for specific jobs, but these are much less important compared to *Guardian*, *Evening Standard*, and *Metro*. Virtually every job advertised is promoted in a combination of these three newspapers. For most jobs, local newspapers cannot offer the readership needed to attract the right applicants. The Internet is also important mainly the Reed Recruitment site.

Example 4

A local Police Force tends to use three broad types of media:

- Local newspapers in their area and the *Evening Standard* for clerical and administration jobs
- *Police Review* and some national magazines like *Cosmopolitan* for police advertisements
- Their own website—both types of jobs

Specialist Publications

The existence of highly visible widely recognised publications like *Loot*, *Exchange and Mart* and *Autotrader* in certain sectors means that local newspaper compete directly with publications outside their local area. Many individuals in London looking for property or cars, for example, may consult a local paper but many will also use publications like *Loot*.

Example 1

A rented residential property company with branches in North East, West, and Central London, spends between £20,000 and £30,000 a year on the media in the London area. Virtually all this spending is in print channels and primarily in *Loot*. While local papers are used, *Loot* is the only regular channel used because of its range of readership and its acceptance as a major source for property rentals in London. The company has no need to use much else particularly given advertising costs in London.

Example 2

A company that imports and supplies used and nearly new Japanese cars and is based in Ilford, Essex spends between £96,000 and £140,000 per year on advertising. Approximately, 70%–75% of this takes place in the specialist trade press and the rest in London newspapers and regional pages of national newspapers. The above is supplemented by regular ads in local London newspapers, mainly the Recorder series in Ilford, Romford, Barking & Dagenham, Newham and also the Post series. It also uses the London *Exchange & Mart* and the regional section of the *Daily Mirror*. The main specialist magazines used are *Autotrader* and *Autocar* and these are used because they clearly target the specific market interested in their vehicles, ie car buyers. The company also engages in direct sales via the company Web site and places ads on many other car-related Web sites—again, because most target car buyers.

Non-Newspaper Advertising

In certain market sectors like recruitment and property, the Internet is now becoming an important competitive threat to print media, especially local newspapers. It is increasingly a viable option for advertisers in these sectors to switch their advertising to websites if they become dissatisfied with the coverage and cost of local newspaper advertising.

Example 1

A small, locally based property renting company in North London spends approximately £6,000 per year on advertising. Their most important media at the moment is the Internet, which has taken over from

more traditional media like local newspapers and advertising publications. The most important channel at the moment is www.findaproperty.com. They also use a wide range of other property selling sites. They are constantly evaluating new sites to try their effectiveness. The net has proven itself more effective than print because of its huge coverage, ease of use and the control they can exercise over the ads they run. Their main alternative to the Internet are advertising papers like *Loot*, *Renting* and *Hot Property*. They normally try to cover as many media channels and titles as possible in a given month, subject to their small budget—normally means a few websites and may be one of the advertising newspapers.

Example 2

A police IT organisation advertises in a range of print titles led by *Evening Standard*, *Metro* and nationals, eg *Guardian*, *Telegraph*, *Times*. Like many large organisations running recruitment ads, it also uses vocational publications (e.g. *Police Review* for core police jobs, *Computing* for IT jobs) to attract specific skills. Admin jobs are also advertised in the *Hendon Times* although responses are not as good as the *Evening Standard*, consequently the vast bulk of admin jobs go through *Evening Standard* and also *Metro*. The organisation also uses Internet job sites, particularly *Jobs Oracle*, *Computer Weekly* site for IT and the *Evening Standard* sites. The Internet is becoming more important as the net offers a broader audience. The organisation has also looked into using radio ads, perhaps in tandem with press ads, but, at the moment, these are too expensive for the return expected.

Even among advertisers who make very heavy use of local newspapers, the use of the Internet is becoming a feature of their activities, as is the use of regional sales magazines.

Example 3

A local property rental company in South East London spends approximately £12,000 per year on local newspaper advertising, placing weekly advertisements in the *Kentish Times* and the *Kent Messenger*. It has found its existing advertising formula of *Kentish Times/Kent Messenger* is the most effective as it records where the enquiries come from and these over the years have been the most effective. However, despite its happiness with the local titles it also promotes its properties through its own website and www.findaproperty.com. Occasionally, it may also advertise in *Exchange and Mart*.

Example 4

The company are a local Peugeot dealership based on the Kent/London border. They advertise every week in the *Newshopper* and the *Kentish Times*. They are now also advertising on the Peugeot website, which is the main alternative form of advertising apart from local papers. They saw no need to explore further alternatives.

In addition, many local companies make use of non-newspaper local advertising media.

Example 5

A company selling household security systems is based in Waltham Abbey, Essex but promotes throughout London, excluding Central London. It spends approximately £10,000 per annum in promotion to Londoners, of which local papers account for approximately 50%. The remainder is accounted for by door to door leaflet drops and *Yellow Pages*. Door to door leaflet drops are the most efficient way of generating leads for the company but they have real difficulty getting reliable door to door leaflet droppers. If they could find reliable door to door leaflet droppers in hot spot areas, they would use this method exclusively but for consistent reliable leads they advertise in the local papers each week and try and aim for deals like quarter page adverts for £100 that would normally cost £500. They are looking at developing a website but have yet to use that media.

Impact of the Proposed Merger

IRN research shows that most advertisers would take action that would mitigate the impact of any rising advertising rates (the main concern for advertisers). The key actions likely to be taken are:

- Switch advertising to alternative media away from local newspapers generally
- Switch advertising to local papers not affected by the merger
- Reduce advertising frequency or size of ad to cut costs
- Only advertise if sufficient discounts are offered.

In so doing, advertisers will cut the demand for advertisements in the local titles affected by the merger and hence force the newly merged group to constrain the rise in costs or not increase costs at all. IRN research suggests that given the widespread use of competing media and titles, it is unlikely that the enlarged group would have the ability to extract monopoly profits from the market.

The advertisers contacted by IRN fall into the follows groups:

- Those that seem generally unconcerned about the merger, mainly because they have alternative channels to use if the merger results in higher advertising rates. Those largely unconcerned about a merger tend to be:
 - advertisers using either a range of alternative media. Many companies that target London generally are not concerned about the merger, even if this raises rates or reduces titles, given their ability to switch advertising to alternative channel
 - smaller advertisers that adopt a reactive rather than proactive approach to local advertising.
 - companies that either can or currently use titles from rival local newspaper groups, like Trinity Mirror.
- Those that see potential benefits in the merger. Some advertisers, both London-wide and local, would like to see fewer local titles and/or local titles that cover a wider geographic area.
- Those that might see adverse effects to the merger, mainly those making relatively heavy usage of local papers. The main concern among these advertisers was a potential increase in advertising rates and, to a lesser extent, a possible change in geographic coverage of titles. Most, however, seemed only mildly concerned and some had the option of using alternative media and titles if the titles affected by the merger where to increase their rates.

Those Largely Unconcerned About the Merger

Example 1

A small, locally based property rental company based in North London. They have moved away from local print titles recently, although they still use them occasionally. For them, they do not expect to be affected by the merger: they have no strong views about this.

Example 2

A local Police force on the outskirts of London does use local press for advertising clerical jobs. However, it feels it would not be adversely impacted by the merger because if they are to advertise for recruits in London they will tend to use the *Evening Standard*, rather than the local London press, because this gives them City-wide coverage. If the local press became too expensive or less relevant they would shift more to the *Standard*.

Example 3

The company is a small computer sales and repair business based in Cricklewood. It spends very little on advertising—approximately £2,000 per year and only advertises in local papers in the North West of London. It spends no other monies on promotion. The company does not have a programme for advertising; it is reactive and waits for local papers to telephone it. If the paper is suitable and the price is right, they place the ad. With regard to takeovers and mergers, they felt that it would have no effect on the way they do business. They will choose whichever title telephones them with a good deal and will place the ad if it covers their area. It is irrelevant to them which company owns the local paper.

Example 4

North West London NHS places many recruitment adverts across a range of titles, including local titles, mainly the *Harrow and Wembley Observer*. This is the only local title they use regularly and Trinity Mirror owns it, therefore, the merger or takeover was not of a particular concern.

Example 5

An importer and supplier of used and nearly-new Japanese based in Ilford Essex which uses mainly the specialist press, regional London-wide newspapers and some local newspapers for its advertising. They may be adversely affected by an increase in advertising costs in local titles as it “would have to be accepted” (they undertake little negotiation on ad rates in local media). However, because local advertising is a small part of their total spend they could shift advertising elsewhere.

Example 6

The company is a South London restaurant, which uses only local/regional newspapers, and has so far only used the *Croydon Guardian*, *South London Press*, some other local free press and the *Evening Standard*. Being a small outlet, it takes the rates given by the newspapers for its advertising; it does not negotiate as such. If local advertising rates, (eg on the *Croydon Guardian*) were to increase, it would definitely consider switching its advertising away from the higher cost media to other free sheets. It generally likes using local papers, however, it would consider the option of using the *Standard* for more of its advertising if local rates increased significantly across the main titles used. It is planning to move its advertising anyway to media like *Yellow Pages* and *Thomson*, so rising rates will be less of an issue in the future, compared with the situation now.

Example 7

A prestige car dealership targeting the whole of London primarily uses the National Sunday editions sold into London and also advertises in 20 local newspapers across London. If a merger took place this may affect the advertising, it all depends on whether the advertising rates in local papers increase and by how much. As they are an upmarket motor dealer and are used to advertising in the premium Sundays, a small rise in rates is unlikely to be seen as significant for them. However, if rates rise sharply they are likely to either cut back on the frequency of their advertising—often run ads weekly in local papers and may cut this back to fortnightly or even monthly—or may even switch publications. However, losing a local title to advertise in is not seen as especially significant for them as they are trying to market to the whole of London and the power of the advertising in the Sunday national swamps the power of the local and regional press.

Example 8

The company is a property management company in the Croydon area. It spends around £1,000/month on advertising in local newspapers. It only uses local newspapers because of the local nature of the business—renting properties in the Croydon areas. The main titles used are *South London Press*, *Croydon Advertiser*, *Croydon Post* and the *Croydon Guardian*. It chooses the titles to advertise in based

on the geographic distribution of the title—it depends on which areas it has properties in for rent. Cost is a factor in determining which titles to use but geographic coverage (and response rates to ads) is more important. If costs rose on the *Croydon Guardian* as a result of the merger it could easily shift to alternative local papers like the *Croydon Advertiser*. Currently, they do not have a clear preference for one title over another, the use of individual titles varies from month to month depending on how effective ads have been. However, given its need for locally targeted advertising, it cannot find alternative advertising media outside local newspapers. Generally, it would consider shifting between titles as best it could to save money, bearing in mind the need to hit certain geographic locations.

Example 9

A South London Council uses a very broad range of print publications for recruitment advertising, these usually fall into two groups: highly targeted publications for particular skills—eg *Community Care*—and local, regional and national newspapers for broadly-based administration, clerical and management skills (plus some specific skill jobs). The main generic titles used are *Putney & Wandsworth Guardian*, *Guardian* and the *Evening Standard*. If advertising rates on the *Putney & Wandsworth Guardian* were to rise, the council would adopt the following actions: reduce the size of its advertisements; consider using alternative local papers, eg *South London Press*, make greater use of the *Evening Standard*.

Example 10

A property rental company in South East London, places most of its ads in the *Kentish Times* and the *Kent Messenger*. It is not concerned about a merger unless there was a change in rates or quality of the publications. Hypothetically, if the INM owned *Kentish Times* were to disappear or raise its rates, it would put all its advertising expenditure into the *Kent Messenger*.

Example 11

A company selling fireplaces that operates out of one factory/showroom and three showrooms throughout London. They are situated in Basildon (factory), Rainham, West Cliff and Shirley. Almost all of their promotion is undertaken in local free and paid for papers. The choice of local title is based on effectiveness. They have no particular concerns about a possible merger as long as the coverage and effectiveness of the titles remained.

Those Seeing Potential Benefits in the Merger

Example 1

A local home improvement (Conservatories/Replacement Windows) company with four showrooms on the outskirts of London in Essex (2), Hertfordshire and Kent. The company spends almost all its £400,000 advertising budget on local newspapers in areas that surround its showrooms. The most important publications are the *Newshopper* series and the *Kentish Times*, particularly in Kent. Its Kent showroom has the most salesmen and is the most productive showroom. The adverts are placed through an advertising agency. They place most of their advertisements with Newsquest and the Trinity Group. The experience of the advertising agency with previous mergers (Trinity House) is that titles are not cut and there is no major impact on the market. If the merger of Newsquest and INM were to take place and titles were cut it would not make much difference to the company because they do very little business with INM. If the merger were to lead to fewer titles with larger spread, they would be in favour of the merger depending on how rates changed.

Example 2

A secretarial/clerical staff recruitment agency offers services to organisations in the City and West London. It uses mainly London regional titles for advertising and the *Richmond & Twickenham Times*. Currently, discounted rates are negotiated with all media channels, via an agency they use. The company

felt that there were too many local print media channels in London. It is confusing and sometimes difficult to choose which specific title to go for. The merger might prove beneficial, as it would like to see some rationalisation of titles. It would have a slight concern that this might increase ad prices but it is confident that its agency could continue to negotiate discounts.

Example 3

The company is a high-volume, low-cost supplier of new and used cars. The key advertising channels are high circulation car magazines. The company has not used local London newspapers for about 3 or 4 years because of low circulations and failure to hit its core target market, i.e. car buyers. However, the company would be more interested in using local London papers if there were some mergers—there would be fewer editions, this would increase the presence of the remaining titles and attract a larger readership to the remaining titles. This is the problem at present for the company—existing titles do not attract enough readers to warrant regular ads. As a high-volume, low-cost dealer, ads must be in high circulation titles and negotiated discounts for ads are also essential.

Example 4

A security system supplier based in Waltham Abbey, Essex promotes throughout London excluding Central London. Around half its advertising spend is accounted for by local papers and the remainder by door to door leaflet drops and *Yellow Pages*. If there were a merger of any sort, it would not unduly affect them unless it meant that the geographical coverage changed and was not suitable for them or prices went up. However, a merger may work to their advantage if new geographical coverage areas were in their favour.

Example 5

An East London property letting and estate agency uses the national press (mainly weekend papers), London regional property papers, local papers (especially *Hackney Gazette*), telephone directories and the Internet for advertising. It believes it could benefit from a restructuring of the London press especially if it removes under-performing titles like the *Hackney Gazette* and replaces it with more efficiently run titles covering a wider area.

Example 6

A local franchise for a premium Japanese car firm, based in Beckenham, sells new and used cars. It advertises in local newspapers, the *Evening Standard* (their main channel) plus car trading titles. The key factor which influences the media and title used is results, ie response to ads. The impact of the merger depends on how the merger takes place. If the number of titles does not change then it sees no adverse or positive effects for them. They would see a positive affect if local papers covering the same or adjacent areas merged, as this would broaden the geographic coverage of a single title and make it easier for an ad in a single title to reach a wider target audience. If a merger caused local newspaper advertising rates to increase they would consider using alternative media, ie use the *Evening Standard* more.

Those With Some Concerns

Example 1

A national charity based in London primarily uses the *Guardian*, *Evening Standard* and *Metro* for its recruitment advertisements, although local London papers are used sometimes for specific jobs. Budget restrictions mean that cost of ads is a crucial factor and, as a registered charity, the organisation has been able to negotiate good discounts with all media channels. Although not a big user of local newspapers in London, it would have some concerns if restructuring reduced choice and/or increased the cost of advertisements. However, they would switch away from using local titles if rates increased and would only continue to use if discounts were available.

Example 2

A residential property rental company in North East, West and Central London spends between £20,000 and £30,000 a year on advertising in London, mainly using *Loot* and some local titles. It does not rely heavily on local titles but would be wary of any changes to the range of titles offered in London, especially if it led to even higher ad charges.

Example 3

A company selling second hand goods in South East London and Kent. It places adverts in the *Kentish Times* every two weeks. It would not be unduly worried if there were a change in ownership unless the rates in the *Kentish Times* changed dramatically.

Example 4

A local property rental company operates out of three offices in Bexley, Barnhurst and New Eltham. It spends approximately £30,000 per year advertising property for sale and £6,000 per year for property to rent. It also spends £1,500 per year on various websites. 15% of its enquiries come from websites. The only print used is local newspaper advertising and it advertises extensively in the local *Newshoppers*, which are the main reference publication for property in its area. It has a weekly automatic subscription to the relevant *Newshopper* range and occasionally advertises in *Kentish Times* (perhaps a month off and a month on) more as a tactical requirement. If there was a merger between *Newshopper* and *Kentish Times* and it resulted in higher advertising rates, it would probably stop advertising in the *Kentish Times*. It would be concerned if prices were raised but it would probably have to accept them. It has very little room for negotiation with *Newshopper* at the moment. It is told what the rates are although occasionally it will negotiate a discount on additional half pages.

Discussion Guide

Questionnaire

GANNETT—ADVERTISER DISCUSSION GUIDE

Note to Interviewers:

The aim of the research is to improve understanding of the London market for advertising and particularly which types of media advertisers view as competing with local newspapers in London. The target interviewees are advertisers who may or may not use local newspapers owned by Independent News and Media or Newsquest/Gannett but advertise relevant goods and services that are available in North East, North West and South East London. The questionnaire is in a structured form but the interview should be made in an interactive conversational form to bring out as much qualitative and insightful information as possible.

Hello, my name is [] and I am calling from IRN Research, a market research firm specialising in the information and publishing industries. This is not a sales call; it is strictly for market research purposes and involves absolutely no sales or presentations of any kind. There are some possible changes to the structure of the local newspaper publishing sector in the London area which the Competition Commission is investigating. We have been commissioned to investigate how advertisers choose their advertising for local goods and services in the London area.

Please be assured your answers will be kept strictly confidential.

First, let me just ask one question to make sure you are the right person to whom we should be speaking.

Your organisation has recently advertised in publications that could have been read by Londoners. Do you choose/select publications for advertising goods and services in the London area. If not, do you use an agency? If yes, do you have a contact in the agency that you use?

Do you have some time to answer a few questions or would you prefer to arrange another time for us to conduct the interview.

1. What is your estimated media spend across all media for communicating information to Londoners and how is this split between

Property

Rented Property

Recruitment

New car

Used cars

Home improvements/tradesmen

Entertainment

Other

2. Which is the most important media for your organisation to inform Londoners of your goods and services?

3. Precisely what is the title of the channel of communication e.g. newspaper, radio station or directory title is most important to you?
4. Are there any competing titles in the same channel of communication that you would use as an effective alternative to your most important title subject to availability and price? What are they?
5. Are there any titles in a different channel of communication that you would use as an effective alternative to your most important title subject to availability and price? What are they?
6. When you are planning to use your most important media title do you normally advertise alongside it in an alternative title and/or an alternative media?
7. Which other media does your organisation use to inform Londoners of goods and services?
8. Why do you advertise in your most important media title? What factors affect your decision to advertise in specific media titles?
9. If there were any changes to the structure, cost or availability of media to communicate with Londoners which changes do you think would have the most adverse effect on you and consumer choice?
10. How do you negotiate the rates with local newspapers in London? How would you change your communication with Londoners if local newspaper rates increased or there were less choice.