

Bauer buy around analysis – note on methodology

11 December 2012

CRA has prepared a report describing “buy around” analysis carried out by Bauer. This summary note describes the methodology used in the analysis and, briefly, the main results.

Purpose of the analysis

The purpose of the buy around analysis was to examine how the acquisition of Real and Smooth Limited (referred to here as “GMG”) by Global has an impact on competition for radio advertising at a national level. It does this by presenting a buy around analysis which explores the choices that national advertisers face post-merger.

Bauer has sought to put itself in the position of a typical national radio advertiser. The analysis mirrors the considerations of such an advertiser when planning and evaluating a campaign (via an agency).

Selection of campaigns for analysis

Bauer identified national advertisers by examining NMR data in the six-month period January to June 2012. National advertisers were defined as those purchasing radio advertising in each NMR region during that period.

After identifying the largest national advertisers, Bauer selected individual advertising campaigns for analysis using data from its internal booking system. In 16 out of 20 cases, Bauer selected the national advertiser’s largest campaign (measured by expenditure on Bauer). In 4 out of 20 cases, Bauer did not select the largest campaign, because the largest campaign was not viewed as being a typical “national” campaign.

This selection process resulted in 20 national advertising campaigns for analysis. The 20 campaigns covered national advertisers in a range of industries, campaigns of different lengths, and campaigns with a range of target audiences.

Re-construction of the “original” campaign (Scenario A)

Bauer’s radio planning system enables it to see the precise “laydown” purchased by advertisers on its stations (that is the number of spots, by daypart, over the period of the campaign). In order to reconstruct what the advertiser purchased on rival stations:

- Bauer identified the rival stations purchased by examining NMR data.
- Bauer assumed that the laydown on a representative Bauer station was used on all rival stations purchased.

This resulted in a campaign (scenario A), with associated results relating to (among other things) the campaign’s impacts (impacts of adults 15+ would generally determine the cost of the campaign); reach; and an average weekly opportunity to hear (OTH). All campaigns were evaluated using a consistent RAJAR survey (2012 Q2, the latest available at the time of conducting the analysis).

Construction of scenario buying around Global stations (Scenario B)

Bauer’s objective in scenario B was to try to create a campaign as close as possible to A in terms of reach, but which avoided using Global stations. Bauer tried to maintain reach as efficiently as possible.

Global/GMG – submission by Bauer

- Stations: Bauer dropped all Global stations from the campaign and added unused stations, starting with those with the best cost efficiency factor (CEF). Bauer ended up adding all unused stations from its planning system.
- Dayparts: Bauer did not add dayparts to those used in the scenario A campaign.
- Spots: Bauer increased the number of spots within the dayparts purchased in scenario A, up to a maximum of six spots per daypart. In Bauer's view, six spots per daypart is generally the maximum number that an advertiser or radio station would be likely to tolerate. Bauer stopped adding spots where this no longer increased reach significantly, but would have increased costs (due to the increase in the number of impacts).
- Bauer did not impose geographic constraints on where the reach was achieved.

Construction of scenario buying around Global and GMG stations (Scenario C)

Bauer's objective in scenario C was to try to create a campaign as close as possible to A in terms of reach, but which avoided using Global and GMG stations. Bauer tried to maintain reach as efficiently as possible.

- Stations: Bauer dropped the GMG stations used in scenario B. There were no further unused stations to add.
- Spots: Bauer increased spots within dayparts purchased in scenario A, up to a maximum of six spots per daypart. Bauer stopped adding spots where this no longer increased reach significantly, but would have increased costs (due to the increase in the number of impacts), or if the campaign already appeared unattractive.
- Dayparts: Bauer added dayparts to increase the campaign's reach. Bauer added dayparts which were (a) likely to be viewed as a close substitute for the dayparts already used; and/or (b) added dayparts used by the original campaign on other days of the week (e.g. if an advertiser had originally purchased a breakfast slot on Thursday, Bauer might have added a breakfast slot on Wednesday or Friday).
- Bauer did not impose geographic constraints on where the reach was achieved.

Summary of results

Pre-transaction, although Global was a large player, it was still generally possible for national advertisers to avoid or "buy around" Global stations. Post-transaction, avoiding the enlarged Global in national campaigns would be virtually impossible for a significant proportion of advertisers as the resulting campaigns would be unattractive (e.g. with very high average weekly OTH) or unduly inefficient.