

GLOBAL/GMG MERGER INQUIRY

Third party response to the provisional findings

20 March 2013

Agency AK's comments on the CC's individual points are broken down below.

You said:

- *Advertisers use multiple types of media to meet their advertising needs and other media may be bought as a complement to radio or as a substitute for it.*

Agency AK consider this correct however for regional and local advertisers radio's share of spend is often far higher than the National 6% share.

Many local clients devote the majority of their advertising budget to Radio and these costs are a significant overhead to their total business.

You said:

- *There are advertising campaigns for which radio advertisers cannot easily substitute other media;*

Agency AK consider this correct - In broadcast terms, locally and regional TV is often not an option due to the high costs and long lead times

You said:

- The main factors advertisers take into account when choosing between radio stations include:
 - *Geographic coverage: radio stations are weaker substitutes where their geographic coverage is very different;*

Agency AK thought this was correct but there is geographical overlap in all cases of the proposed merged stations

- *Relative strength in terms of audience: stations with a large share of listeners are better placed to attract advertisers than those with a low share of listeners;*

Agency AK think this is not necessarily – many advertisers will buy piecemeal on CPT basis – larger share more attractive when only buying single station business

- *Demographics: the greater the divergence between stations' audience, the weaker they are likely to be as substitutes for each other.*

Agency AK believed there is not much divergence locally and regionally on FM – all stations converge towards the mainstream. Divergence seems more prevalent on Digital and Online Radio.

You said:

- *The strength of an advertiser's bargaining position, and the price he or she is likely to receive will be affected by the relative strength of the alternative options.*

Agency AK considered this correct – the only factor that checks rates at the moment is plurality of ownership. Within radio, consolidation will take away choice and drive up rates. This will lead to higher costs to local businesses and possibly a move away into other media – neither will be a good outcome.

You said:

- *For some advertisers a Global station is the closest alternative to a GMG station (and vice versa).*

Agency AK believe there is little to differentiate between Real, Smooth and Heart brands

You said:

The CC has also published a Notice of Possible Remedies which sets out ways the loss of competition in these seven areas might be addressed. These include Global selling the whole of the acquired business, the whole business apart from those stations in London and the West Midlands or selling individual stations in the affected areas.

Agency AK believe that Global's pricing structure and trading strategy is historically higher and harder than GMG.

We have no doubt that a merger will only drive GMG station prices higher, which will inevitably drive away local and regional advertisers.

In Wales, divesting Heart stations in the North will not solve the market dominance in South Wales.

Agency AK