

## GLOBAL/GMG MERGER INQUIRY

### Third party response to the provisional findings

27 March 2013

I've read the documents and absorbed the information and have the following observations and representations to make:

As an agency we agree with your findings that advertisers use multiple types of media to meet advertising needs and other media may be bought as a complement to radio or as a substitute for it. As an agency, it is rare that radio is the sole media platform used to deliver against a Client's objectives. It does happen but it is rare.

We also agree that there are advertising campaigns for which radio advertisers cannot easily substitute other media. Radio meets our objective of being responsive and allows us to be reactive to market conditions allowing us to broadcast a Client's message quickly. Often, other formats cannot meet this need for urgency. Outdoor for example has a longer lead time and availability is determined by demand, reach and efficient targeting. Online can be responsive but we often struggle with being able to target this down to a specific geographic area which is a strength of radio (e.g. we recently looked at reaching the Over 50's market in south Wales and there were stations such as Gold south Wales and Real Radio south Wales that allowed us to target substantial numbers - when we looked at online there was a smaller pool and the option we had considered (Saga Online) left the numbers so few that we were advised against using the platform so radio was the natural choice). Press is often the only other medium that allows us to be responsive and have a quick turnaround but with the press landscape in Wales (and particularly south Wales) this leaves us limited options and in itself needs to have some more competition to increase the buying power of agencies as there are unusual practices that take place within this industry.

We have commented below on your conclusions on the main factors advertisers take into account when choosing between radio stations.

o Geographic coverage: radio stations are weaker substitutes where their geographic coverage is very different - This is true for the majority of our clients. Being a local agency means that a lot of our clients have very specific geographical target areas. Regardless of how good a fit a substitute station may be in terms of their audience demographic, if their geographical coverage is not relevant, we would not recommend it to a client.

o 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 - Yes and No. Sometimes a Client will specify a target audience that is served better by one station than another. That station may not be the one with the overall largest audience. A station with a smaller overall reach might be planned and bought based on what percentage of their audience meets a specific brief to reduce waste. This is particularly relevant when smaller / tighter budgets need to be considered. When budget is more generous and a brief is more generous in its target audience, it is fair to say that stations with larger reaches will ordinarily feature on a media plan first because it's difficult to achieve the same campaign delivery using smaller stations. An exception to this rule would be recent campaigns we have planned across Real Radio Wales (south) and Capital fm (south Wales) where the campaign delivery on Real Radio has been significantly better and delivered at a marginally greater

price [✂] than Capital fm. In this case we removed Capital fm from the plan because the audience delivery did not meet our criteria for value for money.

o Demographics: the greater the divergence between stations' audience, the weaker they are likely to be as substitutes for each other - Similarly to the geographical coverage of a station the audience demographic is, in the majority of cases, an important factor in choosing stations. We would always look at the specific audience reach for every station within the client's required geographical area. Stations which do not have a relevant target audience would not be recommended as substitutes.

\* 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 - Agreed. We already struggle when buying Capital fm south Wales and Heart in north Wales because we have to buy through the same channel. In that situation we would have expected a preferred rate buying across their existing brands but haven't received that. So it leaves us nervous about whether the loyalty rates outlined in your documents should a merger proceed are actually going to benefit us as an agency and our clients.

\* For some advertisers a Global station is the closest alternative to a GMG station (and vice versa). - Correct. The radio landscape in south Wales (and Wales as a whole) is limited with few buying routes and options. Removing the existing channels through a merger would in our opinion reduce competition for us and our Clients and we feel that at present, Capital fm actively pitch to us and pitch against Real outlining why they are should be the station we use as part of our media mix. Without this competition, we wouldn't be able to drive keen prices and value for money for advertisers. We would also worry about the quality of the product offering.

## **Agency AU**