

## **Completed acquisition by Immediate Media Company Bristol Limited of certain assets of Future Publishing Limited**

**ME/6450/14**

The CMA's decision on reference under section 22(1) given on 23 October 2014.  
Full text of the decision published on 31 October 2014.

**Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.**

### **Summary**

1. **Immediate Media** (see definition in paragraph 15) is active in the production and publishing of print magazines, other publications and associated activities.
2. **Future** (see definition in paragraph 17) is active in the production and publishing of print magazines, other publications and associated activities.
3. The Merger (see definition in paragraph 18) involves the acquisition by Immediate Media of a number of print magazine titles (with associated websites and digital versions) from Future. Future generated approximately £[ ] million of turnover in the UK in 2013 with the titles involved in this Merger.
4. The parties overlap in the UK in the supply of print magazines (and associated websites and digital versions) within the following categories:<sup>1</sup>
  - Craft, which includes:
    - general craft
    - cardmaking and papercraft
    - knitting and crochet

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<sup>1</sup> The CMA considered Immediate Media's purchase of a number of cycling titles from Future, but found that there was no overlap with Immediate Media's titles (specifically its triathlon title).

- needlecraft
  - genealogy
5. The Competition and Markets Authority (**CMA**) did not receive sufficient evidence to group all craft titles a single market. The CMA did not find sufficient evidence of demand-side substitution – that is, that readers interested in buying a magazine covering a particular craft consider magazines covering other craft categories as possible substitutes. The CMA also considers that the conditions required to aggregate several markets on the basis of supply-side substitution are not met. Whilst publishers of craft magazines frequently launch new titles, including in segments where they are not already active, certain segments see much less launch activity than others. The CMA considers that this indicates that the conditions of competition are not the same in different craft markets.
  6. The CMA also considers that, although there is some substitution in the relevant segments (craft and genealogy) between print magazines and the internet, there is insufficient evidence that a large number of readers consider the internet as a good substitute for print magazines. On that basis, the CMA excluded non-print media from the frame of reference. The CMA has, however, considered the potential for competition from websites in the competitive assessment.
  7. The CMA therefore assessed the effect of the Merger on competition on the basis of the supply of print magazines in the UK in the categories identified in paragraph 4.
  8. **Needlecraft:** The CMA found that the merged entity will have a [90–100]% share of supply of the needlecraft market with a [20–30]% increment and will publish all the significant titles in the sector. The CMA found that the parties have only monitored each other's titles in this segment. Third parties confirmed that there is no effective competition to the merged entity in needlecraft.
  9. **General craft; cardmaking and papercraft; and knitting and crochet:** The CMA found that the parties' shares of supply in these markets were [20–30]%, [30–40]% and [35–45]% respectively. The merged parties control a number of the top titles in each of these segments, but also face significant competition from rival titles. The CMA noted that the parties do not produce the best-selling title in any of these segments. The CMA also found that there was no compelling evidence in the parties' internal documents that demonstrated that the parties considered each other's titles in these segments to be their

nearest competitors. Third parties also agreed that the parties face significant competition from other titles in each of these areas.

10. **Genealogy:** The CMA found that the parties are two of only three significant suppliers of genealogy print magazines and will have a [55–65]% share of supply with a [20–30]% increment. The CMA found that the parties were close competitors, monitoring each other and the third title in the market. Although the degree of competition with the internet in this market is greater than that in the various craft markets, the CMA did not consider that the competitive constraint of the internet is sufficient to counter the loss of competition in genealogy.
11. On the evidence available to it, the CMA found that:
  - The Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in relation to the supply of needlecraft and genealogy print magazines in the UK.
  - The Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of knitting and crochet; general craft and cardmaking; and papercraft print magazines in the UK.
12. The CMA considered whether entry or expansion of existing firms can mitigate the initial effect of the acquisition on competition. The CMA found that both the needlecraft and genealogy markets have been shrinking for some time, that examples of recent successful entry or expansion in either of these markets is non-existent and found no evidence of third parties planning to enter or expand in these segments. Although Immediate Media presented examples of successful entry into other declining print magazine markets, the CMA does not believe that these examples were sufficiently similar to the needlecraft and/or genealogy markets to be convincing evidence that entry or expansion into these segments is likely.
13. The CMA considers that these constraints, taken together, are insufficient to exclude the realistic prospect of an SLC in the supply of print magazines in the UK in needlecraft and genealogy as a result of the Merger.
14. Consequently, the CMA believes that it is or may be the case that the Merger has resulted or may be expected to result in an SLC within a market or markets in the United Kingdom. The CMA is considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). Immediate Media has until 30 October 2014 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered,

then the CMA will refer this Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

## Assessment

### Parties

15. **Immediate Media:** Immediate Media Company Bristol Limited is a wholly owned subsidiary of Immediate Media Company Limited (**together Immediate Media**). Immediate Media is active in the business of the production and publishing of print magazines, other publications and associated activities (such as production of associated websites and digital magazines). Immediate Media is active across a wide range of publications in the UK. Immediate Media's worldwide turnover was £155 million in the year ending 31 March 2013.
16. **Exponent:** The ultimate owner of Immediate Media is Exponent Private Equity LLP (**Exponent**). Exponent is a private equity firm investing in UK-headquartered businesses with enterprise values between £75 million and £350 million. Exponent invests in businesses across a broad range of sectors. None of the other enterprises in which Exponent has an interest have any competitive relevance to the markets affected by this Merger.
17. **Future:** Future Publishing Limited is, indirectly, a wholly owned subsidiary of Future plc (**together Future**). Future is active in the business of the production and publishing of print magazines, other publications and associated activities (such as production of associated websites and digital magazines). Future is active across a wide range of publications in the UK. Future's worldwide turnover generated by the Target (defined in paragraph 18 below) was £[X] million in 2013; approximately £[X] million of this was generated in the UK.

### Transaction

18. Immediate Media purchased a number of print magazine titles<sup>2</sup> (with associated websites<sup>3</sup> and digital versions) and other assets from Future<sup>4</sup> (**the**

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<sup>2</sup> The full list of print titles purchased is: Mollie Makes (UK and US versions); The Knitter; Simply Knitting; Simply Crochet; Crochet Today; Love Patchwork and Quilting; Cross Stitcher; Cross Stitch Collection; Papercraft Inspirations; Your Family Tree; Procycling; Cycling Plus; Mountain Biking UK; What Mountain Bike; Urban Cyclist; On Your Bike.

<sup>3</sup> The full list of business websites is: molliemakes.com; theknitter.co.uk; simplyknitting.co.uk; simplycrochetmag.co.uk; lovepatchworkandquilting.com; crossstitchermagazine.co.uk; papercraftinspirationsmagazine.co.uk; yourfamilytreemag.co.uk; bikeradar.com; cyclingnews.com; onyourbike.org; bikely.com.

<sup>4</sup> Including, among others, employees, contracts, editorial materials, goodwill, consumer databases, IT equipment, stock and certain intellectual property rights.

**Target**) for a consideration of £[X] million in cash, with Future entitled to retain approximately £[X] million of deferred magazine subscriptions revenue (**the Merger**).<sup>5</sup>

### ***Jurisdiction***

19. As a result of this Merger Immediate Media and the Target have ceased to be distinct. The parties overlap in the UK in the supply of printed magazines (and associated websites and digital versions) within the following categories:

- cycling and triathlon
- craft, which includes:
  - general craft
  - cardmaking and papercraft
  - knitting and crochet
  - needlecraft
- genealogy

The merged entity will hold more than 25% of the share of supply of certain print magazines in the UK (at the newsstands), including needlecraft print magazines (see Table 1 below). The share of supply test in section 23 of the Act is therefore met.

20. The Merger was completed on 21 July 2014 and the statutory four-month period within which the CMA may make a reference following completion of the Merger therefore expires on 21 November 2014. The Merger Notice was accepted as being satisfactory on 28 August 2014.<sup>6</sup> The statutory deadline under Section 34ZA of the Act for the CMA to announce its decision on referral for a phase 2 investigation is therefore 23 October 2014.

21. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.

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<sup>5</sup> Pending post-completion consideration adjustments.

<sup>6</sup> The CMA sent a Notice under Section 96(2A) of the Enterprise Act 2002 to Immediate Media on 28 August 2014.

## ***Frame of reference***

22. The CMA considers that market definition provides a framework for assessing the competitive effects of the Merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the Merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.<sup>7</sup>

## ***Introduction***

23. Magazine publishers derive revenues from readers and advertisers. This section briefly summarises the conditions of competition in these two sides of the market based on information provided by the parties and third parties in the CMA's investigation.

### ***Readers***

24. On the readers' side, publishers sell their printed titles either through yearly subscriptions or through retailers, earning the majority of their income ([✂]) through sales revenues. Subscriptions are generally purchased online with the magazine sent to the subscriber through the post. Many publishers also sell digital versions of their titles online, which reproduce in digital format the content of a title.
25. The cover price and the editorial content of a title are determined by publishers. The distribution of magazines in the UK is typically managed by distributors acting on behalf of publishers. Distributors negotiate terms and conditions with retailers, covering financial terms (for example, the margin and the fixed term required by retailers) and non-financial terms (for example, the stores that will sell the titles and any associated promotions). Immediate Media submitted that distributors generally distribute the entire portfolio of a publisher's print titles.

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<sup>7</sup> [Merger Assessment Guidelines](#), A joint publication of the Competition Commission and the Office of Fair Trading, CC2/OFT1254, September 2010, paragraph 5.2.2. The *Merger Assessment Guidelines* have been adopted by the CMA (see Annex D to, [Mergers: Guidance on the CMA's Jurisdiction and Procedure](#), CMA2, January 2014).

### *Advertisers*

26. On the advertisers' side, publishers compete against each other to attract advertisers. However, in this case, the CMA has focused its analysis on the impact of the Merger on the readers' side for two reasons.
27. Firstly, in relation to this Merger, the parties generate a relatively small proportion of their revenues from advertising (approximately [X] % of the revenues in relation to their craft titles and less than [X] % of their revenues of their genealogy titles). The CMA therefore expects that the parties' incentives are mainly driven by competitive conditions on the readers' side.
28. Secondly, third party advertisers and publishers told the CMA that advertisers can be split into two categories. On the one hand, smaller advertisers target readers interested in a certain craft or hobby:<sup>8</sup> these advertisers are likely to have the same alternatives available as readers. On the other side, there are advertisers who are interested in targeting certain demographics (for example, they may be interested in advertising products or services to women aged 60+). These are likely to have a broader range of options available than readers, as they would find titles attracting similar demographics as good substitutes, irrespective of their content.
29. Immediate Media's submission also supported this split of advertisers. For example, Immediate Media submitted that target customers for genealogy advertisers can be summarised as readers of a relatively older demographic (targeted by general advertisers) and genealogy hobbyists (targeted by genealogy advertisers).
30. The CMA therefore considers that some advertisers will, at worst, face the same alternatives as readers to meet their needs

### *Competition between titles*

31. Print magazines are differentiated products. Publishers compete for both readership and advertising. Publishers compete for readership through price, quality of title content, as well as offering free gifts (often as promotional covermounts), and larger and/or special editions (known as bumpers).
32. Immediate Media submitted that in the wider craft market, publishers launch several new titles every year, often starting as one-offs or specials to test the market. If these launches are successful, publishers will increase the

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<sup>8</sup> For example, a company selling yarns is interested in targeting knitters but would be less interested in reaching papercrafters, as they would be less likely to be interested in buying their product.

frequency of the title to quarterly, bimonthly or monthly. Those that are not successful are not seen again, or quickly closed.

### ***Product scope***

33. The CMA's approach to market definition is to begin with the overlapping products of the parties in the narrowest plausible candidate product scope and then to see if this can be widened on the basis of demand-side and supply-side substitution.
34. The parties overlap in the supply of printed magazines (and associated websites and digital versions) and associated websites within the following categories:
  - cycling and triathlon
  - craft, which includes:
    - general craft
    - cardmaking and papercraft
    - knitting and crochet
    - needlecraft
  - genealogy
35. The CMA considers that these categories represent the narrowest plausible candidate markets. The following sections consider the extent of the parties' overlap in these categories and discuss whether it is necessary to broaden the frame of reference.

### ***Cycling and triathlon***

36. Immediate Media submitted that

There is no direct horizontal competitive overlap between the Target Cycling Business<sup>9</sup> and Immediate Media's print magazines or websites, and in particular Immediate Media has no print

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<sup>9</sup> That is the part of the Target dedicated to the production of cycling titles.



magazines in the same ABC sub-segment<sup>10</sup> as the Target Cycling Business' print magazine titles.<sup>11</sup>

37. The CMA market tested this proposition with advertisers, retailers and other publishers, who confirmed that there is little or no demand-side substitution from readers or advertisers, and that cycling and triathlon magazines are unlikely to be in the same sub-segment of the general sports market. These titles have not attracted any third party competition concerns.
38. The CMA will not, therefore, discuss the Target's cycling titles any further.

*Widening the product scope for craft and genealogy markets*

39. Having started at the narrowest plausible candidate product scope the CMA considered whether it was appropriate to widen the product scope on the basis of demand-side and supply-side substitution. The CMA considered the following propositions, which are discussed in the following sections.

- whether all crafts should be combined into one wider craft market
- whether craft websites belong to the same market as individual printed craft titles
- whether genealogy websites or digital magazines belong to the same market as printed genealogy titles

*Combining all crafts into one wider market*

40. Immediate Media submitted that the appropriate frame of reference should be considered at least as wide as the combined key ABC craft sub-segments which combines at least the three narrower ABC sub-segments of:
  - Leisure interest: general craft (including papercraft)
  - Women's Interests: knitting and sewing (also including crochet titles)
  - Women's Interests: needlecraft
41. On the demand side, Immediate Media submitted that it is common for its readers to 'have an interest in, and indeed switch to, other craft sub-segments'. The parties' internal surveys and third party competitors generally confirm that their readers are interested in three to four crafts. On the supply

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<sup>10</sup> The Audited Bureau of Circulations (**ABC**) identifies various consumer magazine segments and sub-segments based, principally, on editorial content and target audience of a particular magazine.

<sup>11</sup> Annex 1 of the Merger Notice, p1.

side, Immediate Media submitted that entry is easy and new titles are launched frequently by suppliers across all craft segments. Immediate Media concluded that the CMA should aggregate all single crafts into a wider frame of reference covering all craft magazines.

42. The CMA considers that evidence that readers are interested in multiple crafts is not evidence that they would be willing to switch from a magazine dedicated to one craft to a magazine dedicated to another craft, albeit one they are interested in, in response to a 5% price rise or a small but significant worsening of a title's quality.<sup>12</sup> Third parties were generally of the view that readers interested in one craft would not find a magazine specialised in a different craft a substitute. The CMA concludes therefore that the demand-side evidence provided by Immediate Media is not sufficient for it to widen the relevant frame of reference beyond the markets for individual crafts.
43. The CMA may, in principle, aggregate several narrow markets into a broader one on the basis of considerations about the responses of suppliers to changes in competitive conditions. Immediate Media submitted that publishers regularly launch new titles across all craft sub-segments using spare capacity within the business (both staff and production facilities), or bringing in additional staff on short-term contracts as needed. Immediate Media estimated [§]. Immediate Media argued that this demonstrated that there was supply substitutability across all craft segments that allows the CMA to aggregate these narrow relevant markets into one broader one.<sup>13</sup> As discussed in more detail in the barriers to entry section (paragraphs 103 to 117), the CMA does not believe that there are clear incentives for publishers to enter all craft sub-segments – particularly those sub-segments which are static or declining, such as needlecraft. However, in addition, this approach is only appropriate if there is sufficient evidence that the same firms actively compete to supply these different products and that the conditions of competition between the firms are the same for each product.<sup>14</sup> In this case, the CMA noted that not all publishers are active across all segments, and that, even where the same publisher is active in multiple segments, its market position varies significantly across each segment.
44. The CMA therefore finds that different publishers operate in different segments and believes that the conditions of competition between publishers

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<sup>12</sup> [Merger Assessment Guidelines](#), paragraphs 5.2.9–5.2.19.

<sup>13</sup> *ibid*, paragraph 5.2.17.

<sup>14</sup> The [Merger Assessment Guidelines](#) identify two conditions for supply-side substitution. The second condition is that 'the same firms compete to supply these different products and the conditions of competition between the firms are the same for each product; in this case aggregating the supply of these products and analysing them as one market does not affect the Authorities' decision on the competitive effect of the merger' (paragraph 5.2.17, second bullet).

are not the same for all products. While the CMA recognises that publishers active in particular segments may launch new titles in other segments, the CMA found that historically, there are plenty of examples of publishers entering into growing markets, but there was very little evidence of publishers entering or expanding into declining markets such as needlecraft.<sup>15</sup> Third party publishers also confirmed they had no plans to enter into either the needlecraft or the genealogy markets. As a result, publishers are much more likely to enter into some markets than they were in others. On that basis the CMA could not conclude that all publishers compete to produce magazines in all craft markets, and that the conditions of competition are the same across these segments. The CMA, therefore, believes that the conditions required to aggregate several markets on the basis of supply-side substitution are not met. The CMA has considered this feature of the market as part of the assessment of the conditions of new entry rather than as a factor that would warrant a broader market definition.

45. The CMA also found that both parties' internal documents and analysis assess or monitor competition at single craft level, according to the categorisations in paragraph 34 above, whereas the CMA could not identify any internal documents where the parties assessed the level of competition that their individual titles faced at a wider (all crafts combined) level.
46. On the evidence available to it, the CMA considers that the evidence is insufficient to aggregate all craft titles into a wider frame of reference.

*Combining print craft titles with other non-print craft media*

47. The Office of Fair Trading (**OFT**)<sup>16</sup> has looked at whether the internet has a competitive impact on print magazines in a number of cases, but has not found that the internet is a good substitute for print magazines. For example:

- **Hearst/Lagardère:** the OFT

recognised that there was clearly some substitution between print magazines and the internet [for lifestyle, fashion and home interest magazines], the OFT is not persuaded that there is sufficient evidence to place them in the same market. The OFT [also] does not consider the evidence provided by

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<sup>15</sup> Annex 9 of the Merger Notice.

<sup>16</sup> The CMA was established on 1 October 2013. By virtue of the Enterprise and Regulatory Reform Act 2013 and the Enterprise and Regulatory Reform Act 2013 (Commencement No 6, Transitional Provisions and Savings) Order, No 416 of 2014, the OFT's merger control functions were transferred to the CMA on 1 April 2014.

the parties compellingly points to a constraint from non-print media.<sup>17</sup>

- **Magicalia/Future:** the OFT acknowledged

that other types of media (including internet websites) contain varying degrees of woodworking material and evidence suggests that some readers and advertisers make use of them, the majority of third party comments provided to the OFT indicate limited demand side substitution between these other media types and woodworking magazines. For example, differences in audience profiles and costs suggests that these alternatives are not regarded as particularly close substitutes.<sup>18</sup>

48. Immediate Media submitted that publishers face significant constraints from websites:

Non-print media is becoming increasingly important for readers of craft magazines as an alternative source of the same (and related) content as print magazines. The content of most of the relevant print craft magazines is primarily patterns and tips/hints/general information on pursuing the relevant craft. This content can be, and is, readily provided on the internet, both on standard websites as well as blogging and social media sites.<sup>19</sup>

49. Immediate Media identified a number of specialist craft websites, other than those associated with print-based magazines, including favecrafts.com, craftsy.com, craftsforum.co.uk, hobbycraft.com, etsy.com and folksy.com. Immediate Media submitted that 'crafting blogs and content are also readily available on, for example, Facebook, Pinterest, YouTube and Twitter' and that these are also an alternative for readers to purchasing their magazines.<sup>20</sup>
50. Immediate Media also pointed to some surveys it had carried out in the past, showing that readers search for inspiration or look for patterns from the web.<sup>21</sup>
51. However, the CMA considers that the evidence provided by Immediate Media is insufficient to include craft websites within the relevant frame of reference. The content and purpose of these websites seems to differ from that of printed magazines. For example, a number of them appear to focus on the

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<sup>17</sup> OFT decision, *Hearst/Lagardère*, July 2011, paragraph 36.

<sup>18</sup> OFT decision, *Magicalia/Future*, April 2007, paragraph 8.

<sup>19</sup> Annex 1 of the Merger Notice, paragraph 4.15.

<sup>20</sup> *ibid*, paragraph 4.16.

<sup>21</sup> In particular, Mollie Makes readers survey (Annex 7.B2(i) of the Merger Notice, p31).

sale of items produced by crafters or the sale of raw materials for doing crafting. While some of these websites also sell patterns and other materials, it is not clear that they replicate the combination of materials and editorial content provided by print magazines.

52. Secondly, the CMA considers that the survey results submitted by the parties do not provide clear evidence of substitutability between print and digital media. These surveys show that many readers of print magazines also use the internet as a source of inspiration. However, this does not imply that readers regard websites as possible alternatives to print magazines. These findings are also consistent with the proposition that customers use different media for different purposes. The CMA also notes that the readers were engaged in these surveys through social networks or emails, so the sample is likely to be more representative of the subset of their readers who are more familiar with the web and the use of computers, rather than of the overall readership of a party's title.
53. The CMA also notes that the parties' internal documents where they monitor competitors<sup>22</sup> do not mention the performance of any website (other than those associated with printed titles) and only monitor the performance of printed titles. Even Immediate Media's craft social media market report,<sup>23</sup> which monitors the online activity of websites, limits its attention to the performance of the websites associated to printed titles, without any consideration of the websites listed by the parties in their submission.
54. The CMA tested the proposition that there is in fact significant substitution between magazines and websites with third parties. Third party competitors and websites generally indicated that, although there may be some degree of substitution, they do not perceive craft print magazines and craft websites as competitors. One competitor stated that readers wanted to have a hard copy pattern, as provided by a magazine in front of them when they were crafting, these readers will use the internet for purchasing materials, but not to access the same content and patterns as provided by magazines. Third party advertisers mostly agreed that advertising in print magazines was not substitutable for advertising on websites as the readership of magazines is very different to websites, however, there were some advertisers who did place advertisements in both print and non-print media.

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<sup>22</sup> For example, Immediate Media Internal Monitoring reports (Annexes 7.A.24 to 7.A.27 of the Merger Notice) or Future's Craft Sector Summary (Annex 7.B.8 of the Merger Notice).

<sup>23</sup> Annex 7.A.4 of the Merger Notice.

55. Further, the CMA notes the absence of quantitative evidence on competition and substitutability between printed and digital media. The Economics Study<sup>24</sup> submitted by Immediate Media, which sought to identify possible patterns of substitution between craft titles, did not consider the impact of digital media as a possible driver of volumes.
56. Finally, the CMA notes that Immediate Media and Future's craft magazines host adverts of specialist websites. For example, folksy.com states in its website that it appeared on *Mollie Makes*.<sup>25</sup> Third parties confirmed that, as a rule, print magazines do not advertise (other competitors') competing titles, as by promoting a competing title a publisher might risk diverting sales away from its own title.<sup>26</sup> One third party competitor explained that it would only be willing to advertise a competitor's title if it was certain that there would be no overlap in readership between that title and its own title and that in any case this would be a very uncommon practice in the industry. The CMA therefore considers that publishers hosting adverts of specialised websites in their magazines suggests that these are not perceived by publishers as a significant competitive threat.
57. On the evidence available to it, the CMA considers that, as the OFT found in previous cases, there is clearly some substitution between craft print magazines and the internet, but there is insufficient evidence of websites posing a sufficient constraint on the parties' craft titles for non-print craft media to be included in the relevant frame of reference. However, the CMA has considered the potential for competition from websites in the competitive assessment.

*Combining print genealogy titles with other non-print media*

58. In relation to genealogy magazines, Immediate Media submitted that:

There are a number of very large genealogy website operators active in the same space as both Immediate Media's licensed publication *Who do You Think You Are?* and the Target Craft Business' *Your Family Tree*, in comparison to which the two titles combined are relatively insignificant. These include in particular [ancestry.co.uk](http://ancestry.co.uk)/[ancestry.com](http://ancestry.com),

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<sup>24</sup> Annex C.1 of the Merger Notice.

<sup>25</sup> <http://folksy.com/>.

<sup>26</sup> The revenue derived from such adverts would be unlikely to be outweighed by the loss in revenues from readers combined with the loss in advertising resulting from the loss of readers.

findmypast.com/genesreunited.co.uk, thegenealogist.co.uk and familysearching.org.<sup>27</sup>

59. Immediate Media also submitted that, in addition to the ability to carry out genealogical research by providing access for users to search databases, genealogy websites also offer similar content to the print magazine titles of the parties (for example, hints and tips and other assistance on researching your family tree as well as related human interest stories).<sup>28</sup>
60. Immediate Media also submitted that it and the Target have experienced a drop in sales in their genealogy magazines (2010 to 2013) in spite of an increase in interest in genealogy by the general public.<sup>29</sup> Further, Immediate Media submitted that *Your Family History* (first launched in 2010, published by Wharncliffe) has recently been rebranded and relaunched as an internet-only title, *Discover Your History*.<sup>30</sup> Immediate Media concludes that these elements indicate substitution between genealogy print magazines and non-print media.
61. The CMA tested the proposition that there is in fact significant substitution between magazines and websites with third party genealogy website operators. These third parties generally indicated that, although there may be some degree of substitution, they do not perceive print magazines as competitors, as print magazines are designed to give readers (especially those new to genealogy) an overview of the possible data and information sources, whereas websites are designed to provide the facility for users to carry out genealogical research by providing access for users to search databases, although they may also provide some advice, commentary or discussion in addition to this.
62. Further, as for craft magazines, the CMA considered that the parties do not appear to monitor websites in their internal documents and that they host adverts of those websites on their pages. In fact, Immediate Media submitted that parties derive over [X]%<sup>31</sup> and over [X]%<sup>32</sup> of their advertising revenues of their genealogy titles from specialised genealogy websites.<sup>33</sup>
63. On the evidence available to it, the CMA considers, as the OFT found in previous cases, that there is some substitution between genealogy print magazines and the internet, but there is insufficient evidence of genealogy websites posing a sufficient constraint on the parties' genealogy titles to be

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<sup>27</sup> Annex 1 of the Merger Notice, paragraph 11.8.

<sup>28</sup> *ibid*, paragraph 11.8.

<sup>29</sup> *ibid*, paragraph 11.9.

<sup>30</sup> *ibid*, paragraph 11.10.

<sup>31</sup> Who Do You Think You Are?

<sup>32</sup> Your Family Tree

<sup>33</sup> Annex 1 of the Merger Notice, paragraph 11.21.

included in the relevant frame of reference. However, the CMA recognises that the potential for substitution with digital media is higher in genealogy than in craft markets, and it has considered this aspect in the competitive assessment. The CMA did not consider it necessary to conclude on whether digital genealogy magazines form part of the same product scope as print genealogy magazines as this would make no difference to the competitive assessment.

### *Geographic frame of reference*

64. Previous OFT print magazine merger decisions<sup>34</sup> have considered that competition takes place at a UK level reflecting the fact that print magazines are retailed primarily through UK-wide retail chains. Neither Immediate Media, nor third parties, submitted any evidence suggesting that the geographic market should be anything but UK-wide.

### *Conclusion*

65. On the evidence available to it, the CMA concluded it was appropriate to analyse the effect of the Merger at a UK-wide level on the supply of printed magazines (and associated websites and digital versions) within the following categories:
- craft, which includes:
    - general craft
    - cardmaking and papercraft
    - knitting and crochet
    - needlecraft
  - genealogy

### ***Counterfactual***

66. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (that is, the counterfactual). In practice, the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, there is a realistic prospect of a different

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<sup>34</sup> OFT Decisions: *Exponent/BBC Worldwide* (2011); *Hearst/Legardè* (2011); *Magicalia Publishing/Future Publishing* (2007); *IPC Media/Horse deals* (2006); *Future/Highbury House* (2005).



counterfactual.<sup>35</sup> In this case, there is no evidence supporting a different counterfactual, and the Parties have not put forward arguments in this respect. Therefore, the CMA considers the pre-merger conditions of competition to be the relevant counterfactual.

## **Competitive assessment**

### ***Horizontal unilateral effects***

67. Horizontal unilateral effects can arise in a horizontal merger when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or deteriorate the quality of its commercial offering on its own and without needing to coordinate with its rivals.<sup>36</sup>
68. Immediate Media submitted a range of evidence to the CMA including data on the shares of supply, volume sales of print magazines, data on entry and exit of print magazines covering the period 2009 to 2013 and a broad range of internal reports and documents from both parties that discuss the prospect of the merger, or the wider issues in the individual print magazine markets. In addition to this, as mentioned in the previous section, the CMA has contacted several third parties about this Merger. Based on this evidence the CMA has examined the parties' shares of supply and their relative closeness of competition.

### ***Share of supply***

69. Immediate Media provided data on the parties' share of supply of the print magazine market based on volume and value sales of news stand publications (see Table 1). Although this does not cover sales from subscriptions and/or digital sales, Immediate Media submitted that this will provide a reasonable estimation of the shares of supply that the parties hold.

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<sup>35</sup> [Merger Assessment Guidelines](#), paragraph 4.3.5 et seq.

<sup>36</sup> *ibid*, paragraph 5.4.1.

**TABLE 1 Immediate Media's estimate of share of supply in 2013 in the UK (with relation to value)**

	%				
	<i>Share of supply</i>				
<i>Publisher</i>	<i>Needlecraft</i>	<i>Knitting and crochet</i>	<i>Papercraft</i>	<i>General craft</i>	<i>Genealogy</i>
Immediate Media	[60–70]	[10–20]	[20–30]	[10–20]	[20–30]
Target	[20–30]	[20–30]	[10–20]	[10–20]	[20–30]
<b>Combined</b>	<b>[90–100]</b>	<b>[35–45]</b>	<b>[35–45]</b>	<b>[20–30]</b>	<b>[60–70]</b>
ABM Publications Ltd	-	-	-	-	[20–30]
Aceville Publications	-	[20–30]	[0–10]	[40–50]	-
Practical Publishing	-	[0–10]	[40–50]	[10–20]	-
IPC	-	[10–20]	-	-	-
Others	[0–10]	[0–10]	[0–10]	[10–20]	[0–10]
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source:* Immediate Media's Notification (Submission based on ABC where available, supplemented by data obtained from Frontline Ltd). Supplemented by information provided subsequently by Immediate Media and Third Parties.

70. Third parties provided the CMA with information on the value and volume of sales of the major titles that the parties compete against. These were broadly in line with the share of supply estimates supplied by Immediate Media. The table shows that the Merger has resulted in a very concentrated market structure in needlecraft and genealogy.

#### *Closeness of competition*

71. To assess the extent to which the parties compete closely against each other and the extent of remaining competition after the Merger, the CMA has examined a number of pieces of evidence, including:

- the importance of single titles in publishers' portfolios
- readership demographics of key titles and the extent of cross-readership
- the record of different competitors in launching new titles and (where available) in adding bumper issues or covermounts to their titles
- evidence from internal documents
- third party responses

72. The CMA considers the shares of supply and closeness of competition in each of the craft segments as well as genealogy below.

#### *Needlecraft*

##### *Shares of supply*

73. The parties are by far the two largest publishers in this segment, as reflected by their combined share of supply of [90–100]%, with [20–30]% increment

(see Table 2). Shares of supply have also been stable over the last five years although the size of the market has been steadily declining.

TABLE 2 2013 news stand volume and value shares of supply in needlecraft in the UK

<i>Publisher</i>	<i>Volume</i>	<i>Share (%)</i>	<i>Value (£)</i>	<i>Share (%)</i>
Immediate Media	[X]	[60–70]	[X]	[60–70]
Target	[X]	[30–40]	[X]	[20–30]
<b>Combined</b>	<b>[X]</b>	<b>[90–100]</b>	<b>[X]</b>	<b>[90–100]</b>
Creative Craft Publishing	[X]	[0–10]	[X]	[0–10]
Other publishers via ICS Curtis	[X]	[0–10]	[X]	[0–10]
Other publishers via Pineapple Media	[X]	[0–10]	[X]	[0–10]
Embroiders' Guild	[X]	[0–10]	[X]	[0–10]
Others	[X]	[0–10]	[X]	[0–10]
<b>Total</b>	<b>[X]</b>	<b>100</b>	<b>[X]</b>	<b>100</b>

Source: Immediate Media's Notification (submission based on ABC where available, supplemented by data obtained from Frontline Ltd). Supplemented by information provided subsequently by Immediate Media and third parties.

### *Single title analysis*

74. The parties publish all the major titles in the segment as well as publishing a number of smaller titles, (Immediate Media publish *World of Cross Stitching*, *Cross Stitch Crazy* and *Cross Stitch Gold*; the Target publishes *Cross Stitcher* and *Cross Stitch Collection*). Some smaller titles are produced by other publishers (such as *New Stitches*, published by Creative Crafts Publishing), however, none of these titles has achieved significant sales volumes in any of the last five years and it is unclear how widely distributed they are.<sup>37</sup> The CMA therefore does not consider that the smaller titles will exercise any meaningful constraint on the merged entity.

### *Readership demographics*

75. The parties' titles attract very similar demographics: that is mostly female readers of similar median age (between 46 and 49 years old for Immediate Media's titles and between 47 and 51 years old for Future's titles).<sup>38</sup> Immediate Media submitted that the demographics for readers of all craft titles are very similar (ie mostly female with a mean age of around 50), hence most of the titles in the craft market will attract similar demographics, so this should not be taken as an indication that the titles are especially close competitors. Whilst accepting this argument, there are a number of titles that are aimed at, for example, a younger readership.<sup>39</sup> The CMA therefore concludes that the

<sup>37</sup> None of the smaller titles has achieved more than a [0–10]% share of supply in any of the last five years.

<sup>38</sup> The parties provided the mean, or median, age of readers of the target business and the median age of readers of Immediate Media. Although the median age and mean age may differ, as the latter may be more affected by the presence of outliers, the CMA considers nonetheless that the comparison of these measures is still reasonable in the context of this case.

<sup>39</sup> For example *Simply Crochet*.

similar demographics will give some indication that the parties' titles may be close competitors.

### *Internal documents*

76. Immediate Media's Notification included the parties' internal documents<sup>40</sup> showing that Immediate Media monitors<sup>41</sup> only the Target's rival needlecraft magazine *Cross Stitcher*. This indicates that the parties compete closely against each other, and that no other publisher currently competes strongly against them.
77. The CMA considers that other internal documents also confirm that the parties compete closely with each other:
- The Target regularly monitors the performance and the covermount of Immediate Media's *Cross Stitch Crazy* (and no other title).<sup>42</sup>
  - Immediate Media compares the performance of the Target's *Cross Stitcher* with its own *World of Cross Stitching*.<sup>43</sup>
  - The correlation analysis carried out by the parties' economic advisors identifies some correlation between Future's *Cross Stitch Collection* and Immediate Media's *Cross Stitch Gold*, and no other competitor.
  - Immediate Media's business plan indicates [REDACTED].<sup>44</sup> [REDACTED]
78. Immediate Media's internal documents do not contain any indication that they have faced or reacted to competition in the past from websites. Competitors also generally confirmed that websites do not provide a strong constraint in craft magazines, generally, and to needlecraft magazines in particular.

### *Launch of new titles*

79. Immediate Media provided evidence of entry and expansion occurring regularly across the craft market. However, there was little evidence of entry or expansion in the needlecraft sector which could indicate that the parties'

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<sup>40</sup> Annex 7.A.4 to 7.A.23.

<sup>41</sup> The CMA has distinguished between the internal documents of the parties which indicate which titles the parties were monitoring (ie where the parties are collecting data on a rival title's performance on a regular basis) and those internal documents where the parties have carried out a broader analysis of the market (for example, calculations of share of supply) where the parties have included more titles in each market.

<sup>42</sup> Annex 7.B.5 of the Merger Notice.

<sup>43</sup> Annex 7.A.27 of the Merger Notice.

<sup>44</sup> Annex 6.A.1 of the Merger Notice, p16.

activities could be constrained by the threat of entry or expansion (see detailed discussion on entry and expansion in paragraphs 103 to 117)

#### *Third party comments*

80. All third parties who commented told the CMA that there is no effective competition to the merged entity in needlecraft.

#### *Conclusion*

81. On the evidence set out above, the CMA considers that the parties' shares of supply are very high, there is a lack of effective constraint from other publishers and the parties are each other's closest competitor in the supply of needlecraft magazines in the UK. Accordingly, the CMA considers that the Merger will give the merged entity the ability to increase price or worsen non-price aspects of the competitive offering (such as innovation). The CMA therefore believes that, subject to the assessment of barriers to entry and expansion below, it is or may be the case that the Merger may give rise to an SLC in the provision of needlecraft print magazines in the UK.

#### *General craft, card making and paper craft and knitting and crochet*

##### *Shares of supply*

82. The CMA notes that in both the general craft and the cardmaking and paper-craft markets, the merged entity will not be the largest player (see Table 3). Also, the increment is not particularly large in any of these segments (no more than [5–15]%). Share of supply figures have shown some volatility over the last five years, particularly following examples of successful new entry and expansion in each segment and, partly as a result of successful new entry, these segments have been growing in the last five years (albeit, growth in the knitting and crochet market has only been seen in the last two years).<sup>45</sup>

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<sup>45</sup> For example, in 2013 the parties had [50–60]% of the share of supply of the knitting and crochet market. However, following the successful launch of *Woman's Weekly Knitting and Crochet* (published by IPC) the share of supply of the parties fell to [40–50]% over the first seven months of 2014.

TABLE 3 2013 newsstand value shares of supply in knitting and crochet,<sup>46</sup> general craft and cardmaking and papercraft in the UK

Publisher	Share of supply		
	Knitting and crochet	General craft	Cardmaking and papercraft
Immediate Media	[10–20]	[10–20]	[20–30]
Target	[20–30]	[10–20]	[10–20]
<b>Combined</b>	<b>[35–45]</b>	<b>[20–30]</b>	<b>[30–40]</b>
Aceville Publications	[20–30]	[40–50]	[40–50]
Practical Publishing	[0–10]	[10–20]	[10–20]
IPC	[10–20]	-	-
Others	[0–10]	[10–20]	[10–20]
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Immediate Media's Notification (submission based on ABC where available, supplemented by data obtained from Frontline Ltd). Supplemented by information provided subsequently by Immediate Media and third parties.

### Single title analysis

83. The merged parties control a significant number of the top titles in each of these markets, but also face significant competition from rival titles:
- In knitting and crochet, Immediate Media publishes the sixth, eighth and tenth most popular titles; the Target publishes the second, fourth and ninth most popular titles. However, three of the top five titles are competitors'.<sup>47</sup>
  - In general craft, Immediate Media publishes the fourth, and tenth most popular titles, the Target publishes the second most popular title. Thus, seven of the top 10 titles are competitors'.<sup>48</sup>
  - In cardmaking and papercraft, Immediate Media publishes the second and fifth most popular titles; the Target publishes the fourth most popular title. Again, seven of the top 10 titles are competitors'.<sup>49</sup>

The CMA noted that the parties do not produce the bestselling title in any of these segments.

84. As well as competition from other significant titles from Aceville Publications and Practical Publishing (and IPC in the case of knitting and crochet), there

<sup>46</sup> The share of supply figures for the knitting and crochet market cover the first seven months of 2014 following the launch of *Woman's Weekly Knitting and Crochet* published by IPC, which the CMA considers is a more accurate reflection of the shares in that segment at the time of the transaction.

<sup>47</sup> 1st: *Lets Knit* (Aceville Publications); 3rd *Woman's Weekly Knitting and Crochet* (IPC); and 5th *Let's Get Crafting – Knitting and Crochet* (Aceville Publications).

<sup>48</sup> 1st *Crafts Beautiful* (Aceville Publications); 3rd *Simply Homemade* (Practical Publishing); 5th *Homemaker* (Aceville Publications); 6th *Making Magazine* (The Guild of Master Craftsmen); 7th *Docrafts Creativity* (Design Objectives); 8th *Crafty* (Practical Publishing); 9th *Woman's Weekly Craft* (IPC).

<sup>49</sup> 1st 'Simply Cards & Papercraft' (Practical Publishing); 3rd 'Papercraft Essentials' (Practical Publishing); 6th 'Papercrafter' (Aceville Publications); 7th 'Making Cards' (Magmaker Limited); 8th 'Craft Stamper' (Traplet Publications); 9th 'Complete Cardmaking' (Practical Publishing); 10th 'Get Stamping' (Practical Publishing).

are also significant numbers of smaller publications active in each of these segments which present a, albeit weaker, competitive constraint to the parties.

#### *Readership demographics*

85. The CMA found that the evidence relating to the demographics of the readership of the parties' titles was inconclusive: although the readers of all titles in these segments are predominantly female, other demographic information was more mixed. In some cases there were very clear differences in the readers demographics for the parties' titles (for example, in general craft, Immediate Media's *Craftseller* attracts a considerably older readership than the Target's *Mollie Makes* (median ages of 47 and 37 respectively)). Age demographics for competitors' titles in these segments were also mixed.

#### *Internal documents*

86. The evidence contained in the internal documents provided by Immediate Media<sup>50</sup> showed that although there was some evidence of the parties monitoring each other, there was also evidence of the parties monitoring other publishers' titles. There was no compelling evidence in the parties' internal documents that demonstrated that the parties considered each other's titles in these segments to be their nearest competitors.
- In knitting and crochet, Immediate Media considers that its main publication, *Knit Today*, competes most closely with [X].<sup>51</sup>
  - In papercraft, internal documents appear to show that the parties face competition from several competitors. The Target monitors covermounts of four competitors,<sup>52</sup> similarly, Immediate Media's documents point to a strong constraint from [X] on Immediate Media's *Quick Cards Made Easy*.<sup>53</sup>
  - In general craft, although there was some evidence that showed that the parties monitor each other, there was more evidence that indicated that the parties' titles are not close competitors. For example, the Target does not appear to perceive Immediate Media's *Craftseller* as a particularly close competitor to *Mollie Makes*. In addition, the Target's 'General Craft

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<sup>50</sup> Annex 7.A.4 to 7.A.23.

<sup>51</sup> Annex 6.A.1 of the Merger Notice, p22.

<sup>52</sup> In the 'Cardmaking and Papercraft Covermounts Competitors Monitoring Sheet', Annex 7.B.7 of the Merger Notice.

<sup>53</sup> Annexes 26.A.7.(ii)(a), 26.A.7.(ii)(b) and 26.A.7.(ii)(c) of the Merger Notice.

Covermounts Competitor Monitoring Sheet' tracks all competitors' issues without placing particular weight or attention on Immediate Media's titles.

#### *Launch of new titles*

87. Immediate Media provided evidence of entry and expansion occurring regularly across these craft segments over the past five years. The parties were both active in launching titles in each of these segments as were a number of the parties' competitors including Practical, Aceville and IPC. A large proportion of these titles are still being published (see detailed discussion on entry and expansion in paragraphs 103 to 117).

#### *Third party comments*

88. Third parties all stated that the parties face significant competition from other titles in each of these areas:
- In knitting and crochet, third parties indicated that the parties and Aceville are the three strongest competitors.
  - In papercraft, the third parties considered Practical to be a strong competitor, albeit that third parties agreed that the parties pose a significant constraint on each other's titles.
  - In general craft, although there were some third parties who indicated that the parties compete closely, others stated that the parties do not compete closely. In particular, one third party pointed out that the *Craftseller* and *Mollie Makes* are rather different in their content, in that the former is designed to support crafters to make objects in bulk, for (typically online) sale, whereas the latter is designed for home craft-making.

#### *Conclusion*

89. On the evidence available to it, the CMA considers that the remaining competitors will exercise a sufficient constraint on the merged entity such that it will not have the ability to increase price or worsen non-price aspects of the competitive offering (such as innovation). Accordingly, the CMA does not believe that it is or may be the case that the Merger may lead to an SLC in the provision of general craft, cardmaking and papercraft and knitting and crochet print magazines in the UK.



## Genealogy

### Shares of supply

90. The parties are two of the three largest publishers of genealogy print magazines in the UK, as reflected by their combined share of supply of [55–65]%, with [20–30]% increment (see Table 4). The parties' shares of supply have increased over the last five years as other titles have left the market although the overall size of the genealogy print magazine market has been steadily declining. Further, the CMA notes that the shares of supply appear to underestimate the parties' position in the market, as *Your Family History* has recently been rebranded and relaunched as an internet-only title, *Discover Your History*. Given that this title is now only available in digital format, and has seen its circulation halved since it moved to a digital format, it is likely to pose a weaker constraint on the parties.<sup>54</sup> [X]

TABLE 4 2013 newsstand volume and value shares of supply in genealogy in the UK

Publisher	Volume	Share (%)	Value	Share (%)
Immediate Media	[X]	[30-40]	[X]	[30-40]
Target	[X]	[20-30]	[X]	[20-30]
<b>Combined</b>	<b>[X]</b>	<b>[50-60]</b>	<b>[X]</b>	<b>[55-65]</b>
ABM Publications Ltd	[X]	[30-40]	[X]	[20-30]
Wharncliffe Publishing Limited	[X]	[0-10]	[X]	[0-10]
<b>Total</b>	<b>[X]</b>	<b>100</b>	<b>[X]</b>	<b>100</b>

Source: Immediate Media's Notification (Submission based on ABC where available, supplemented by data obtained from Frontline Ltd). Supplemented by information provided subsequently by Immediate Media and Third Parties.

### Single title analysis

91. The parties control two of the three major titles in the segment. Other, smaller titles have exited the market over the last five years, as mentioned above.

### Readership demographics

92. The parties' titles attract very similar demographics with a similar split of female readers (62% – Immediate; 58% – Target) and a median age of approximately 58. As with the craft markets above, Immediate Media submitted that the demographics for readers of all genealogy titles is very similar, hence most of the titles in the genealogy market will attract similar demographics, so this should not be taken as an indication that the titles are especially close competitors. Whilst accepting this argument the CMA concludes that the similar demographics will give some indication that the parties' titles may be close competitors.

<sup>54</sup> If this title were to be excluded from the share of supply, the parties' combined share would reach [60–70]%.

### *Internal documents*

93. Immediate Media provided internal documents of the parties showing that Immediate Media monitors both the Target's *Your Family Tree* and ABM's *Family Tree*.<sup>55</sup> [REDACTED]. In particular, Immediate Media was also monitoring the Target's success with advertisers and appeared to plan to target the Target's genealogy advertisers.

### *Launch of new titles*

94. Immediate Media did not provide evidence of entry or expansion in the genealogy sector that could indicate that the parties' activities could be constrained by the threat of entry or expansion (see detailed discussion on entry and expansion in paragraphs 103 to 117).

### *Competition between the internet and genealogy print magazines*

95. The CMA recognises that the internet presents a greater degree of effective competition to genealogy print magazines than for the craft magazines described above. There are a large number of successful genealogy websites (for example, [ancestry.co.uk](http://ancestry.co.uk); [genesreunited.co.uk](http://genesreunited.co.uk) and [familysearch.org](http://familysearch.org)) as well as blogs (such as [genealogyblog.uk](http://genealogyblog.uk) and [ancestryinsider.org](http://ancestryinsider.org)) and Facebook pages.<sup>56</sup> Third parties stated that the primary function of these sites, and others, is as a complementary service to print magazines as they provide access to a variety of genealogy databases. However, these sites also provide hints and tips and articles covering a very wide range of topics of interest to those interested in genealogy.
96. Third parties, however, told the CMA that the primary function of these sites (and others) is as a complementary service to print magazines, as the latter provide an overview of the options available for genealogy research (as well as suggestions on how to carry out such research and success stories), whereas the former provides access to data and constitutes a research tool in itself.
97. The CMA also notes that advertisements for websites appear in the parties' magazines (representing over [REDACTED]% (*Who Do You Think You Are?*) and over [REDACTED]% (*Your Family Tree*) of their advertising revenues), and that the parties' magazines are advertised on these websites. Further, the parties' internal documents show that they do not monitor the activities of websites. This

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<sup>55</sup> Annex 26.A.8 of the Merger Notice.

<sup>56</sup> Annex 1 of the Merger Notice, paragraph 11.8 and CMA research.

would indicate that websites are not a strong competitive constraint on print magazines.

98. Third parties agreed that websites offer similar content to print magazines on top of access to their research databases. However, third party website operators did not consider themselves to be in competition with print magazines as, although they do have similar content, the main selling point of the websites is to grant access to genealogical databases for users to carry out research.
99. The CMA, therefore, concludes that the internet presents a competitive constraint, albeit not a strong one, on the market for genealogy print magazines. However, there is insufficient evidence to consider that websites currently present a sufficient competitive constraint on print magazines to mitigate the possible effects of a loss of competition between the parties.

#### *Third party comments*

100. Third parties also raised concerns that the Merger will lead to a reduction in competition in the genealogy market and that, in particular, the merger of the parties' titles will have a greater effect on competition as the parties compete closely with each other and with ABM Publications.

#### *Conclusion*

101. On the basis of the evidence set out above, the CMA considers that the parties' shares of supply are high and the remaining competition will not exercise a sufficient constraint on the merged entity. Accordingly, the CMA considers that the Merger will give the merged entity the ability to increase price or worsen non-price aspects of the competitive offering (such as innovation). The CMA therefore believes, subject to the assessment of barriers to entry and expansion below, that it is or may be the case that the Merger may give rise to an SLC in the provision of genealogy print magazines in the UK.

#### *Conclusion on horizontal unilateral effects*

102. Accordingly, the CMA found that, subject to the assessment of barriers to entry and expansion below:
- The Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of needlecraft and genealogy print magazines in the UK.

- The Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of knitting and crochet; general craft and cardmaking and papercraft print magazines in the UK.

### ***Barriers to entry and expansion***

103. Entry, or expansion of existing firms, can mitigate the initial effect of the acquisition on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>57</sup>

104. Immediate Media submitted that

Barriers to entry are negligible and the costs and timescales involved in launching a new title are small, such that it is entirely feasible for a publisher not present in a particular craft sub-segment to establish a competing title in that sub-segment, and attract a wide readership, within less than six months. [✂] The launch of new titles, and the exit of titles, is a frequent occurrence.<sup>58</sup>

105. Immediate Media also submitted that ‘there have been at least 129 craft print magazines launched or introduced to the UK market in the last five years, with a significant percentage of these being regular monthly titles and the remainder specials and other non-monthly titles’.<sup>59</sup> However, the CMA notes that entry has not been even across all craft markets. Both the parties and third parties have launched a large number of new titles (some of which have been successful, others not); between 2009 and 2014 publishers launched titles in the following segments:

- Knitting and crochet      22 launches
- Papercraft                      23 Launches
- General craft                26 Launches
- Genealogy                    2 Launches
- Needlecraft                  2 Launches

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<sup>57</sup> [Merger Assessment Guidelines](#), paragraph 5.8.1 ff.

<sup>58</sup> Annex 1 of the Merger Notice, paragraph 4.10.

<sup>59</sup> Annex 1 of the Merger Notice, paragraph 4.11.

106. The CMA recognises that publishers frequently launch (and withdraw) titles in the crafts market. However, for new entry to be an effective constraint, there needs to be clear evidence that new entrants can not only launch new titles, but also rapidly attract a broad readership, and that this is a credible possibility in the Needlecraft and Genealogy markets to prevent an SLC. Even if the cost of launching new titles is not particularly high, the ability of new entrants to grow could be constrained by a variety of factors such as brand loyalty, access to distribution and the cost of securing in-store promotion.
107. The CMA examined the evidence around entry and expansion in both the Needlecraft and Genealogy markets. In doing so the CMA has had regard to:
- any trends in market size and in the revenues of the main players as a proxy for the attractiveness of a certain segment (for entry)
  - evidence of entry and exit in the last five years (for entry)
  - evidence of launch and withdrawal of new titles (for expansion)
  - variation in shares of supply over time (for expansion)
  - comments in the parties internal documents
  - third party views

### *Needlecraft*

108. First, Immediate Media [✂].<sup>60</sup> Also the CMA notes that the needlecraft market has been shrinking in the last few years and the parties' revenues have decreased. The CMA considers that the market conditions in this market would be unlikely to attract entry from other craft publishers.
109. As regards expansion, the CMA notes that there have been two examples of title launches<sup>61</sup> in the last five years in Needlecraft. However, despite these being planned as monthly or bimonthly titles, they were both withdrawn after one or two issues. Also two regular, bimonthly titles were discontinued in the needlecraft market between 2010 and early 2011.
110. The parties' share of supply in needlecraft was relatively stable in the last five years, particularly after the discontinuation of two competing titles in 2011, when share of supply of each of the parties' main titles remained close to

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<sup>60</sup> Annex 6.A.1 of the Merger Notice, p14.

<sup>61</sup> *Cross Stitch Creations* (Création Point de Croix) and *Simply Easy Cross Stitch* (It is unclear from the data whether the publishers were previously present in the market).

50%. This evidence confirms that entry and expansion has not really changed the parties' leading position in the last five years.

111. Third party publishers have also confirmed to the CMA that they have no plans to enter the needlecraft market.

### *Genealogy*

112. Similarly the market for genealogy print magazines has been shrinking over time and so have the revenues of the three key suppliers. Further, three titles have left this market, whilst one *Your Family History* has turned its print title into a digital-only magazine. [✂]
113. There was only one instance of a new title being introduced in the genealogy print magazine market, this title (*Your Family History*) only achieved a [0–10]% share of supply and has recently moved to a digital-only title.
114. Third party publishers have also confirmed to the CMA that they have no plans to enter the genealogy market.

### *Entry and expansion in declining markets*

115. In its response to the CMA's Issues Letter, Immediate Media presented three examples of entry into declining print magazine markets as well as an example of entry into the sewing and quilting market which was a stable market and argued that entry into the needlecraft market cannot be discounted as entry into declining print magazine markets is possible and does occur. However, the CMA notes that two of these examples occurred in markets which are considerably larger than the needlecraft or genealogy markets.<sup>62</sup> In addition, none of the markets was comparable to Needlecraft or Genealogy as none had only one or two dominant publishers. The CMA is not convinced that Immediate Media's examples of entry demonstrate that similar entry would be likely in either the needlecraft or genealogy markets.

### *Third party views*

116. None of the third parties contacted by the CMA had entry plans in either needlecraft or genealogy or was aware of other publishers seeking to enter or expand in these markets. Third parties generally explained that their reluctance to enter these markets was associated with the difficulties of

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<sup>62</sup> Markets had 9 million and 2 million sales over nine months compared with annual sales of [500,000–600,000] in needlecraft and [200,000–300,000] in genealogy.

securing a deal with retailers in a declining segment and with the presence of strong players with established titles.

### *Conclusion on barriers to entry and expansion*

117. Given that, based on the evidence set out above, neither entry nor expansion is likely in the needlecraft or genealogy print markets in the current market conditions, there is no need for the CMA to explore timeliness and sufficiency.

### **Third party views**

118. The CMA contacted advertisers, customers and competitors of the parties as part of its market testing. Although customers were not, in general, concerned, a number of competitors, in particular a majority of competing print publishers, and a number of small advertisers raised concerns in relation to the potential loss of competition in a number of the markets as described above.
119. One competitor also raised concerns related to portfolio effects that would arise through either:
- the increased ability of Immediate Media to cross-sale advertising across crafts, thus potentially foreclosing rivals
  - the ability to bundle different titles for a lower price, to the detriment of competitors
  - the ability to negotiate better terms with a specific retailer, who would then have the incentive to practise worse terms and conditions to Immediate Media's rivals to recoup part of the lost profits
120. However, this competitor itself recognised that these concerns were quite speculative and that, even if the parties did in fact have the ability and incentive to carry out these strategies, none of the main players would likely be materially affected, thus leaving competition substantially unchanged. The CMA also considers that Aceville, Practical and, partly, IPC have strong competing portfolios across craft titles and could therefore successfully offer these titles in a bundle to advertiser and/or to readers post-merger. As regards the third concern, the concerned retailer indicated that Immediate Media's negotiation power would not materially change as a result of this merger and did not raise any concerns on this merger.
121. Third party comments have been taken into account where appropriate in the competitive assessment above.

## **Decision**

122. Consequently, the CMA believes that it is or may be the case that the Merger has resulted or may be expected to result in an SLC within a market or markets in the United Kingdom.
123. The CMA therefore considers that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised pursuant to section 22(3)(b) whilst the CMA is considering whether to accept undertakings under section 73 of the Act in lieu of a reference. Pursuant to section 73A(1) of the Act, Immediate Media has until 30 October 2014 to offer an undertaking to the CMA that might be accepted by the CMA under section 73(2) of the Act. If no undertaking is offered or accepted, then the CMA will refer this Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

**Sheldon Mills**

**Senior Director of Mergers**

**Competition and Markets Authority**

**23 October 2014**