

## Completed acquisition by GTCR Canyon UK Investments Ltd of Gorkana Group Limited

**ME/6479-14**

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 27 March 2015. Full text of the decision published on 28 May 2015.

**Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality**

### **SUMMARY**

1. On 21 October 2014, GTCR Canyon UK Investments Ltd (**GTCR**) acquired Gorkana Group Limited (**Gorkana**) (**Merger**). GTCR and Gorkana are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) considers that the Parties have ceased to be distinct and that the share of supply test is met. The four-month period for a decision, as extended, has not yet expired. The CMA therefore believes that a relevant merger situation has been created.
3. The Parties overlap in the production and supply of several media related services in the United Kingdom (**UK**), namely: media contact databases (**Databases**), media monitoring, editorial analysis and media distribution. This can be supplied individually or as a bundle (often referred to as 'integrated media services' (**IMS**)). Based on the evidence received by the CMA, it has assessed each of these products and/or services individually. The CMA has therefore assessed the impact of the Merger in relation to horizontal unilateral effects in Databases, media monitoring, analysis and distribution services, all in the UK.
4. In relation to horizontal effects in media monitoring, analysis and distribution services in the UK, the CMA concluded that its reference test was not met. The CMA found that the combined share of supply of the merged entity was not at a level that would raise *prima facie* competition concerns, the increment resulting from the Merger was small, and post-Merger there will remain several competitors constraining the merged entity to a sufficient extent.

Further, the CMA received few customer or competitor concerns related to the effects on competition of the Merger in these markets.

5. In view of its findings in relation to the other areas in which the Parties overlap and the views expressed by customers and competitors, the CMA focused its assessment on the impact of competition in relation to Databases in the UK. The evidence reviewed by the CMA indicates that the Databases provided by most other suppliers have a narrower coverage and/or fewer functionalities compared to the Parties' Databases. Only one other supplier (PR Newswire, which also licences its Database to Precise) appears to offer a Database with a coverage and a level of specifications comparable to the Parties'. As such, the Merger may lead to a reduction from four to three in the number of credible suppliers for some customers (if PR Newswire and Precise are deemed to compete with each other to win end-customers).
6. Also, the merged entity is expected to have a high combined market share post-Merger (around [50–60]%), with an increment of around [10–20]%, and the impact on competition resulting from the Merger is more significant than this high market share might suggest, given the level of closeness of competition between the Parties (relative to other competitors). The CMA therefore considers that the Merger gives rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in Databases in the UK.
7. The CMA is therefore considering whether to accept undertakings in lieu of reference under section 73 of the Enterprise Act 2002 (**Act**). GTCR has until 7 April 2015 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 the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

## **ASSESSMENT**

### **Parties**

8. **GTCR** is a special purpose vehicle set up on 29 May 2014, whose parent company, US private equity firm GTCR LLC, has invested in companies active in media related services, including Databases, media monitoring, editorial analysis and distribution of press releases. These include: Cision (acquired in March 2014), Vocus (acquired in May 2014) and Visible Technologies (acquired in September 2014).
9. **Gorkana** supplies media related services, including Databases, media monitoring, editorial analysis and distribution of press releases to UK

customers. The audited turnover of Gorkana in the financial year ended 30 September 2013 was £[] million in the UK.

## Transaction

10. On 21 October 2014, GTCR acquired the entire issued share capital of Gorkana's holding company, Discovery Group Holdings Limited, for a consideration of some £[] million. The Merger is GTCR's fourth acquisition of a company providing media related services in 2014. GTCR submitted that the rationale for the Merger was to allow its recent acquisitions, Cision and Vocus, to obtain sufficient scale to compete successfully in the UK, where previously they had been loss-making.

## Jurisdiction

11. As a result of the Merger, the enterprises of GTCR and Gorkana have ceased to be distinct.
12. The Parties' activities overlap in the production and supply of several media related services in the UK: Databases, media monitoring, editorial analysis and media.
13. GTCR estimates that it will have a combined share of supply by value of around [50–60]% (with an increment of around [10–20]%) of Databases (individually or as a part of a bundle of other media related services) to customers in the UK. The CMA therefore considers that the share of supply test in section 23 of the Act is met.
14. The Merger completed on 21 October 2014 and was first made public the following day (22 October 2014). The four month deadline for a decision under section 24 of the Act is 15 April 2015, following extensions under section 25(1) and 25(2) of the Act. The CMA therefore believes that it is or may be the case that a relevant merger situation has been created.
15. The CMA sent an enquiry letter to GTCR on 11 December 2014 and the initial period for investigation under section 34ZA(3) of the Act commenced on 2 February 2015 when it received a satisfactory submission from GTCR.<sup>1</sup> The 40 working day statutory deadline for the CMA's decision under section 34ZA(1) of the Act expires on 27 March 2015.

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<sup>1</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraphs 6.9-6.19 and 6.59-60.

## Counterfactual

16. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (that is known as the counterfactual). For completed mergers, 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, it considers that, in the absence of the Merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.<sup>2</sup>
17. In this case, the CMA has not found any evidence supporting a different counterfactual, and neither GTCR nor third parties have put forward any substantiated arguments in this respect. Therefore, the CMA considers the pre-Merger conditions of competition to be the relevant counterfactual in this case.

## Frame of reference

18. The CMA considers that market definition provides a framework for assessing the competitive effects of a 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 merger parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>3</sup>

## Product scope

19. The CMA's approach is first to consider the narrowest plausible candidate market in which the Parties overlap and then assess whether such a narrow candidate market may be widened primarily through demand-side substitution.<sup>4</sup>
20. In this case, the Parties overlap in the production and supply of several media related products and/or services in the UK. These include: (i) Databases; (ii) media (including print and online) monitoring; (iii) media analysis; and

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<sup>2</sup> [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 4.3.5. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

<sup>3</sup> [Merger Assessment Guidelines](#), paragraph 5.2.2.

<sup>4</sup> [Merger Assessment Guidelines](#), paragraphs 5.2.6 to 5.2.19.

(iv) distribution of press releases. These can be supplied individually or as part of an IMS bundle.

21. GTCR submits that ‘the narrowest plausible market definition on the basis of which the [Merger] should be assessed is that for IMS in the UK’.<sup>5</sup> However, as to product scope, for the reasons stated below, the CMA believes that the narrowest overlap between the Parties is in the production and supply of each of these products and/or services; all in the UK.<sup>6</sup>

### *Databases*

22. Databases consist of building and providing a list of media influencers to private and public organisations to facilitate the search for and contact of those most relevant in an economic sector or topic. The content, technical features, interconnectivity and search functionalities vary in relation to each supplier, and this differentiation may also be reflected in their prices. Typically, they may include a list of journalists, bloggers, public personalities and other media influencers, their biographies, links to their recent topics and articles or blogs. Customers download or access online the Database and are able to search under different criteria.
23. The CMA assessed whether there was a basis for widening the frame of reference to include other products and/or services. In other words, the CMA assessed whether suppliers of Databases might be constrained by suppliers of other products.
24. GTCR made two arguments in this respect: first, that Databases were frequently bought as part of bundles of IMS products; and secondly, that customers could substitute Databases with other options (such as free web-based services or self-supply). The CMA has assessed each of these arguments below.

### *Bundling of products*

25. GTCR argued that the delineation of the different solutions within IMS is not precise, and that customers typically purchase different and varying combinations of the individual services within IMS. GTCR further argued that these features of the market imply that the frame of reference should be no narrower than the supply of IMS in the UK.

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<sup>5</sup> GTCR’s Response of 12 January 215 to 11 December 2014 notice pursuant to section 109 of the Enterprise Act 2002, page 2, second paragraph, first line.

<sup>6</sup> *Merger Assessment Guidelines*, paragraph 5.2.8.

26. The CMA believes that the practice of bundling different IMS products and/or services might warrant a different approach to market definition under certain circumstances, namely if all or most of the customers buy bundles, and if customers have a strong preference for one-stop-shopping (such that they are unwilling to split their purchases of IMS products and/or services even if they can get a better deal as a result). Under such circumstances, customers might make their purchasing decisions based on the suppliers' competitiveness across the bundle of goods and/or services, rather than on any individual elements of the bundle. If this were the case, it would not be meaningful to assess competition in narrowly defined markets for separate products. For example, a supplier with a relatively weak offering in Databases might still be able to constrain suppliers with a strong offering in Databases provided that its offering of other media services was above average, and as such its bundle of products was preferable.
27. The evidence reviewed by the CMA indicates that these two conditions are not met in this case. First, the Parties' revenue split shows that a significant proportion of their customers purchase Databases without purchasing other products and/or services.<sup>7</sup> At least for these customers, it is clear that the relevant suppliers only include those who offer Databases, and that the relative competitiveness of suppliers for other products is irrelevant.
28. Secondly, the CMA's market testing does not indicate a strong, widespread preference for 'one-stop-shopping'. The CMA received responses from 24 customers in the course of this inquiry, with 12 customers expressing views on bundling. Five customers stated that there were significant disadvantages to buying different products from different suppliers. Two customers said that there were no particular disadvantages to splitting their purchases. Four customers said that there were some advantages to buying bundles, but that they would be willing to split their purchases if they got a better deal as a result. The remaining customers had no strong views. The CMA also considers that the fact that the Parties sell a significant number of products as 'single-play solutions' indicates that product unbundling is a viable solution for many customers.
29. For these reasons, the CMA has concluded that the fact that customers frequently purchase Databases as part of a bundle of products does not warrant a different frame of reference in this case.

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<sup>7</sup> Revenues from customers who only purchase a Database represented [X]% of Gorkana's total IMS revenues in 2014, [X]% of Cision's total IMS revenues in 2014, and [X]% of Vocus' total IMS revenues in 2014.

*Demand-side substitution*

30. GTCR submitted that there are several alternatives to using a Database supplied by the Parties or their competitors, including:
- (a) 'Free to use' web-based services, such as LinkedIn, Google, or Journalisted.com;
  - (b) 'Self-supply', which involves customers building and maintaining their own lists of relevant journalists and influencers;
  - (c) 'Download and maintain', which involves customers downloading data from Databases and then using this data for a period of time after the expiry of their subscription (even though this breaches the terms of their licence);
  - (d) PR agencies, which can provide advice on relevant journalists and influencers (often based on their use of a Database);
  - (e) Databases of social media influencers, such as Muck Rack, Traackr, BuzzSumo, PeerIndex, Little Bird, or Klout.
31. The CMA assessed if two conditions were met for these alternatives to be included in the same frame of reference. First, there should be sufficient evidence that a large proportion of customers use these alternatives as close substitutes to Databases (that is, a significant share of customers would be willing to switch to these alternatives in response to a small but significant and non-transitory increase in price (SSNIP)). Secondly, to the extent that not all customers are willing to switch to these alternatives, suppliers should not be able to charge different prices to different customers (that is they should not be able to price discriminate). If suppliers are able to price discriminate, then the willingness of *some* customers to use these alternatives may not protect *all* customers against the effects of an SLC. These two conditions are considered in turn below.
- *Are these alternatives close substitutes?*
32. The CMA examined evidence from several sources to determine whether these alternatives could be considered close substitutes to Databases:
- (a) **Representations from customers.** As part of its market testing, the CMA asked customers whether there were any alternatives to using a Database. Of the 12 customers who responded to this question, five customers told the CMA that there were no alternatives to a Database. Three customers explained that it was theoretically possible to self-supply but it would be costly and time-consuming, and not as comprehensive.

One of these customers said that it would be ‘very labour intensive’ and added that ‘the media changes quickly so it would require lots of work’. One customer said that searching the internet was a viable alternative. The remaining two customers had no strong views. These responses (albeit mixed to some extent) indicate that most customers do not think of the alternatives the Parties have listed as substitutes for the Parties’ Databases.

- (b) **Representations from competitors.** The IMS suppliers who responded to the CMA’s market test submitted that Databases were an important product for them to offer and that it fulfilled an important customer need. For example, one supplier explained that:

‘The use of a Database is central to most PR/IR/marketing practitioners’ campaigns and the growth of freelance journalism and social and non-media influencers make a Database more necessary to aid identifying relevant contacts.’<sup>8</sup>

Rival suppliers also indicated that LinkedIn is a service that can be used by IMS providers to build a Database of contacts, rather than a substitute for Databases that customers can use directly.

- (c) **Internal documents.** Internal documents submitted by the Parties contain several assessments of the competitive landscape for Databases (see paragraphs 68 to 69 in the competitive assessment below). These assessments only discuss other suppliers of Databases. Alternatives such as those put forward by GTCR are not discussed in these assessments.
- (d) **Product coverage and functionality.** As a more qualitative point, the CMA notes that the coverage and functionality of these alternatives differs from those of Databases. For example, the web-based sources which track social media influencers may not cover all print journalists, and therefore might be used more as a complement than a substitute to Databases. In addition:
- (i) the option to ‘download and maintain’ a Database breaches the terms of customers’ subscriptions and does not allow the same search functions as a full-service subscription; and
  - (ii) at the point where a consumer buys a Database for the first time, before downloading and maintaining it (or when they choose to buy a Database again because theirs is out of date), the price they pay and

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<sup>8</sup> [IMS supplier].

quality of the product and/or service will be affected by the degree of competition between suppliers of Databases.

(e) **Win/loss data.** GTCR submitted win/loss data for the Parties based on internal customer records. The data records the name of IMS suppliers that customers switched to/from (see paragraphs 72 to 73 below). The data also shows that a [REDACTED] of customers switch to/from categories labelled as 'none' or 'used nothing', rather than to/from another named supplier of IMS. For example, between January and September 2014, [REDACTED]% of the customers won by Gorkana were recorded as coming from such categories, and [REDACTED]% of the customers lost by Gorkana were recorded as going to such categories.<sup>9</sup> GTCR argued that this is evidence that customers have numerous options to meet their needs, and are likely to respond to a SSNIP in Databases by switching to alternatives.

33. To obtain more information about these customers, GTCR [REDACTED].

34. In addition, GTCR also provided [REDACTED].<sup>10</sup>

35. This more detailed analysis of recent losses indicates that [REDACTED]. However, the CMA notes that this represents only a proportion of the customers recorded as switching to [REDACTED].

36. Based on this evidence, the CMA believes that it is not fanciful to conclude that the alternatives put forward by GTCR may only represent a substitute to a Database for a relatively small proportion of the customer base.

- *Can suppliers price-discriminate?*

37. GTCR stated that the Parties do not price-discriminate. In particular, it stated that [REDACTED]. GTCR further argued that price discrimination is impossible as there is weak transparency in the market, and suppliers cannot identify with any degree of certainty those customers who would potentially be captive. Furthermore, it argued that suppliers have no way of forcing customers to reveal their willingness to pay, notably because annual volume is a weak proxy for the value that consumers place on the product.

38. The CMA reviewed the following evidence to assess the scope for price discrimination:

(a) **Gorkana's customer records.** The customer records of Gorkana submitted by GTCR for the win/loss analysis show each customer's spend

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<sup>9</sup> The data for Cision [REDACTED].

<sup>10</sup> [REDACTED]

on UK Databases. This data shows a significant degree of dispersion in spend per customer. For example, considering the customers lost by Gorkana between January and September 2014, annual spend ranges from [redacted] to [redacted] for [redacted]% of the customers, and reaches lower or higher values for the remainder. To explain this range, GTCR submitted further details on [redacted] customers lost in January and February 2015, including some comments on the low prices observed for some customers. Some of these comments suggest that some of the low prices observed can be explained by the fact that these customers buy temporary or partial subscriptions, rather than as a result of individual negotiations. [redacted]. The CMA believes that these comments indicate that at least part of the price dispersion observed is due to individual negotiations based on a customer's willingness to pay and its other options.

(b) **Representations from other suppliers.** Two competitors gave some details in relation to their pricing policies. One explained that its pricing was based on customer [redacted], which they expected to have a correlation with Database usage and consumption. When setting prices they looked at three characteristics: [redacted]. They further explained that they could consent to discounts of up to [redacted]% of the list price, especially for 'competitors' knockouts'. The other competitor explained that it took a number of factors into account when finalising its rate card for a customer, including the historical sale value, the average discount value, and the product structure. Another competitor explained that it charges a fixed fee, but it has also negotiated fees with customers individually while working for another company in the sector. The CMA strongly believes that these representations from competitors indicate that price discrimination takes place in the industry.

39. In response to the above evidence, GTCR submitted that, if price discrimination was systematically used in the industry, one would expect a correlation between customers' spend on Databases (as a proxy for their willingness to pay) and their propensity to stop using Databases or use them beyond their licencing period without due renewal. Instead GTCR submitted that, considering the customers lost by Gorkana in January and February 2015, there is no such correlation. [redacted] GTCR argued that this was evidence that there was no price-discrimination.

40. However, the CMA does not believe that this analysis necessarily constitutes evidence that there is no price discrimination in the industry. First, as explained above, a proportion of the variation in customer spend is explained by variations in the duration or scope of the subscription rather than by the result of individual negotiations. This implies that customer spend may be a poor proxy for willingness to pay. For example, a customer who pays a low

price for the UK Database because they use it as an add-on to a US subscription is likely to have a high willingness to pay, but GTCR's analysis will assume that they have a low willingness to pay.

41. Secondly, it is not clear why, if there is price discrimination, one would expect such a correlation between customers' spend and their propensity to use alternatives. Gorkana's Database is generally considered to be the best in the market (see paragraph 75 below). The CMA reasonably assumes that, for all customers who purchase Databases (both with a low and a high willingness to pay), the next best option is another, lower-price/quality Database rather than an alternative solution. That is, there is no reason to believe that the preference ordering of customers vary depending on their willingness to pay.
42. Furthermore, if prices are negotiated individually, customers' bargaining strength may be affected by a range of factors beyond their willingness to pay, and this might weaken the link between their willingness to pay and the outcome of their negotiation. For example, customers with a high willingness to pay may also be more likely to shop around and be more aware of their options, or they might be particularly valuable to suppliers (for example because of their brand). In such circumstances, a customer's willingness to pay may still affect the outcome of his negotiation, but because other factors are at work, this relationship might not be indicated by a simple regression.
43. For these reasons, the CMA believes that it is not fanciful to consider that price-discrimination for Databases is possible, and was to some extent already practiced by the Parties and their competitors.

#### *Media monitoring*

44. GTCR explained to the CMA that media monitoring encompasses digital, print and social media monitoring and involves collating and, in some cases, summarising media coverage according to search terms (for example, references to a specific company or topic).
45. GTCR also submitted that 'paid-for' providers of media monitoring are constrained by the option to self-supply and by free services such as Google News. However, no customers who responded to the CMA's market test indicated that they considered free services to be a substitute for paid-for services, and the CMA has therefore not considered them in the frame of reference.
46. In this case, some third parties indicated that there may be differences between the firms able to supply print and online media monitoring, with print

media monitoring requiring a licence from the Newspaper Licensing Agency<sup>11</sup> or licence arrangements with individual publications. Third parties stated that the cost of these licences acts as a barrier to entry, as a minimum efficient scale needs to be achieved to cover these fixed costs, and as such there are fewer players in print media monitoring than online media monitoring (although those that provide print monitoring are also able to provide online monitoring). The CMA did not determine what licences, if any, are required to redistribute online content.

47. Based on the evidence available to it during this investigation, the CMA has assessed the Merger against a market for media monitoring, drawing distinctions between print and online where relevant.

#### *Media analysis*

48. GTCR submitted that media analysis covers the manual or automatic measurement of traditional and social media and subsequent analysis of that data to produce insights on market sentiment, competitive share of voice and key message delivery.
49. The CMA received no information as a result of its market test to suggest that the candidate market should be narrower than the provision of media analysis.

#### *Distribution of press releases and notices*

50. The Parties also overlap in the distribution of press releases. This additional service is often linked to Databases as it facilitates the circulation of press releases or communications to a targeted group of media influencers. GTCR estimates that the Parties have a combined share of supply of [0–5]% (by value) in the provision of this product and/or service post-Merger.
51. [REDACTED]. The CMA received no third party concerns focused on this area in response to its market investigation. In view of the relatively low share of supply, the lack of specific third parties' concerns, and that any competition issues will be covered by the CMA's assessment of Databases, this decision does not address distribution in more detail.

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<sup>11</sup> [Newspaper Licensing Agency](#) grants licenses to make copies of newspapers content for internal use in a business.

### *Conclusion on product scope*

52. For the reasons set out above, the CMA has considered the impact of the Merger in relation to the following product frames of reference:
- Databases – either sold on a standalone basis or as part of a package.
  - Media monitoring services – either sold on a standalone basis or as part of a package.
  - Media analysis services – either sold on a standalone basis or as part of a package

### *Geographic scope*

53. GTCR submits that the narrowest plausible geographic market is the UK.
54. Both GTCR and Gorkana have a significant physical presence in the UK from where they supply their media related services to UK customers. The CMA has received no substantiated evidence from customers or competitors that firms without a UK presence are able to exert a material competitive constraint on UK-based firms. The CMA has not seen any evidence pointing to a geographic frame of reference that is narrower than UK-wide.
55. In light of the above features, the CMA has assessed the Merger in the geographic context of the UK market.

### ***Conclusion on frame of reference***

56. For the reasons set out above, the CMA has considered the impact on competition of the Merger in relation to a UK-wide geographic frame of reference for each of Databases, media monitoring and media analysis.

## **Competitive assessment**

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

57. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or degrade quality on its own and without needing to coordinate with its rivals.<sup>12</sup> Horizontal unilateral effects are more likely when the merger parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or

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<sup>12</sup> [Merger Assessment Guidelines](#), from paragraph 5.4.1.

may be expected to result, in an SLC in relation to unilateral horizontal effects in Databases, media monitoring and media analysis, in the UK.

58. The GTCR submitted that the CMA should take into account the 'dynamic nature' of a market which evolves constantly to meet customers' changing needs. It referred to a number of trends in the technology and media sectors, including (i) vendor consolidation and migration towards full IMS suites; (ii) the emergence of social media as a key media channel; (iii) the facilitation of market entry, in particular by the creation of a disruptive delivery model by software-as-a service (also known as 'SaaS'); and (iv) the availability of cheap and accessible inputs to further lower the costs of market entry.
59. GTCR stresses that as a result of these market features, IMS providers are constantly adapting their offerings to meet the changing needs of clients, with large technology companies in particular expanding their offerings, and this means that the IMS space is not conducive to any one provider being able to exercise market power, as any attempt to do so would result in customers themselves either switching to any one of the large number of credible alternative suppliers (including both paid-for and free providers) and indeed self-supplying. In addition, GTCR submits that current IMS providers could expand both rapidly and at a low cost, and there is also a range of potential new entrants given the low barriers to entry in this area.
60. Each of these issues is addressed below, although the CMA notes first that for the reasons stated above (in the product scope section), each of the products and/or services usually comprising an IMS bundle needs to be assessed separately, noting any relevant links between them when appropriate.

#### *Horizontal unilateral effects in Databases in the UK*

61. The evidence reviewed by the CMA indicates that the Databases provided by most other suppliers have a narrower coverage and/or fewer functionalities compared to the Parties'. Only one other supplier (PR Newswire, which also licences its Database to Precise) appears to offer a Database with a coverage and a level of specifications comparable to the Parties' Databases. As such, the Merger may lead to a reduction from four to three in the number of credible suppliers for some customers. This describes PR Newswire and Precise as competing with each other to win end-customers (despite their bilateral licensing agreement).
62. Looking only at those firms producing Databases in this narrower set of effective competitors, the Merger may lead to a reduction from three to two in the number of credible suppliers for some customers. This excludes Precise.

63. Internal documents from the Parties list [redacted]. However, for the reasons stated below (paragraphs 68 to 79 below), the CMA has taken a cautious approach and has not included in the effective competitor set of companies supplying Databases covering a full range of economic sectors, companies other than the Parties, PR Newswire and Precise, primarily in view of responses from customers and the Parties' internal documents.

#### *Share of supply*

64. The Parties submit that they have a combined market share of [50–60]% in Databases, with an increment of around [10–20]%.<sup>13</sup> This combined market share is higher than that which would normally give the CMA comfort that unilateral effects are unlikely.<sup>14</sup>

#### *Closeness of competition*

65. Given that Databases are differentiated products, the CMA has examined the closeness of competition (both as between the Parties and as between the Parties and their competitors) to ascertain the likelihood of unilateral effects. GTCR argued that the Parties' offerings in Databases are highly differentiated in terms of content and functionalities. GTCR submitted that in general Gorkana's product is positioned as a 'premium service' while Cision's product is positioned more as a 'mid-market service'. GTCR further argued that this level of differentiation implies that the Parties are unlikely to exercise any significant constraint on each other and, therefore, that no significant rivalry is lost as a result of the Merger.
66. The CMA recognises that the Parties' offerings are differentiated, as this is corroborated by the Parties' marketing material, their internal documents, their respective pricing points, and third party responses to the CMA's inquiries. However, the CMA considers that this level of differentiation does not, in and of itself, imply that there is no realistic prospect that the Merger will give rise to unilateral effects. In the context of a market for differentiated products, it is not necessary for the Parties' products to be positioned particularly closely for the Merger to raise competition concerns particularly when the number of competitors is limited. Unilateral effects may arise if a significant number of the Parties' customers regard the other party's product as their second choice (irrespective of how good or bad this alternative is). The question is therefore whether, in the event of a price rise by one of the Parties, a significant number

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<sup>13</sup> This is based on a market assessment conducted in the context of the Merger.

<sup>14</sup> [Merger Assessment Guidelines](#), paragraph 5.3.5.

of the customers who would stop purchasing the product would purchase the other Party's product instead.

67. The CMA therefore assessed the closeness of competition between the Parties, and between the Parties and their competitors, based on: the Parties' internal documents; the Parties' win-loss data; third party comments; and a review of the remaining competitors.

*Internal documents*

68. GTCR submitted a large number of internal documents, which provide significant insight into how they (and their advisers) view their positioning in the market relative to each other, and relative to their competitors. While these documents list a number of competitors in Databases, they suggest that the Parties are relatively close competitors. For example:

- (a) a 'product overview' prepared for internal purposes by Gorkana (dated June 2014) includes an assessment of the functionality and coverage of competitors' offerings in Databases. [REDACTED];
- (b) a draft buyer due diligence report [REDACTED] names [REDACTED] providers of 'full service Databases': [REDACTED];<sup>15</sup> and
- (c) a draft vendor due diligence report [REDACTED].<sup>16</sup>

69. Some of these internal documents also note [REDACTED].<sup>17</sup>

70. In the same [REDACTED].<sup>18</sup>

71. The CMA believes that these documents indicate that, while there are several suppliers active in this market, the Parties and Precise appear to be the closest competitors for full service Databases and to face a limited number of other competitors. This is also consistent with the Parties' market share.

*Win/loss data*

72. GTCR submitted win/loss data based on internal customer records. [REDACTED].

73. The data shows [REDACTED].<sup>19</sup> [REDACTED]

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<sup>15</sup> [REDACTED]  
<sup>16</sup> [REDACTED]  
<sup>17</sup> [REDACTED]  
<sup>18</sup> [REDACTED]  
<sup>19</sup> [REDACTED]

74. [REDACTED]. However, the CMA notes that although the win/loss data is not of itself conclusive, it points to the Parties competing closely in Databases, which is consistent with the overall evidence available to the CMA at this stage in its investigation.

*Third party comments*

75. The customers contacted by the CMA confirmed that the Parties' offerings in Databases are highly differentiated. However, in general the Parties were perceived as competitors, with limited other options available. One customer expressed some concerns with the transaction noting that Gorkana had a better Database than Cision, but that the Parties were each other's closest competitor. Three competitors argued that the Merger would lead to an SLC in Databases.
76. While the CMA notes that third parties' comments were limited in scope and depth, these comments are consistent with the evidence from internal documents, market shares and win/loss data.

*Remaining competitors*

77. The Parties submitted that there were multiple competitors active in Databases. These include: Roxhill Media, Fashion Monitor, DW Pub, PR Newswire, Precise, NASDAQ, PR Max and Meltwater.
78. On the basis of its assessment at this stage of the investigation, the CMA is concerned that these suppliers might not constrain the Parties effectively at present or in the foreseeable future. Several of these companies appear to focus on particular industries. For example, Roxhill Media is currently focused on financial services; Fashion Monitor on the fashion and beauty industry; and DW Pub appears to have narrower coverage than the Parties, suggesting a degree of specialism.<sup>20</sup>
79. Other competitors appear to offer more basic services compared to the Parties. Gorkana's internal documents show that [REDACTED].

*Conclusion on horizontal unilateral effects in Databases in the UK*

80. Based on the evidence above, the CMA considers that the Parties are close competitors. The CMA therefore considers it likely that, if one of the Parties were to increase its price or deteriorate the quality of its Databases, a significant share of the customers that would stop using the product would

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<sup>20</sup> [REDACTED]

switch to the other Party's product. Accordingly, it is not fanciful that the Parties would have an incentive to increase price or deteriorate quality following the Merger.

81. On the basis of the above, the CMA has therefore found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to Databases in the UK.

#### *Horizontal unilateral effects in media monitoring services in the UK*

##### *Shares of supply*

82. GTCR submitted that the Parties have a combined share of supply (by revenue) of media monitoring of [20–30]% post-Merger, with a [0–5]% increment. This level of market share is not one that would normally give the CMA cause for concern.

##### *Closeness of competition*

83. GTCR submitted that the Parties' offerings are substantially differentiated and that they are not close competitors in media monitoring services, as Gorkana primarily offers human-reviewed monitoring, whereas Cision/Vocus provides automated, digitally-based services.
84. GTCR also submitted that Gorkana presents its IMS offerings, including monitoring, as a premium service, and [X] is its closest competitor. In this submission, GTCR states that Cision/Vocus position its offerings as a mid-market service, and [X] should therefore be perceived as its closest competitor. GTCR submitted that there is a considerable difference between Cision/Vocus and Gorkana in relation to key metrics such as quality and price, with their price points in the UK being differentiated, reflecting the different range and quality of their respective services.
85. To support this, GTCR submitted internal documents and win/loss analysis from both the Parties which showed that they considered a number of different alternative providers to be close competitors in the provision of media monitoring services.
86. Further, GTCR submitted evidence to show that Gorkana's services are priced significantly higher than the services offered by Cision/Vocus. For example, a bundle including a Database, monitoring and analysis for a mid-size customer with 350 clips per month<sup>21</sup> (assuming no monitoring add-ons

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<sup>21</sup> Each clip is a piece of news.

and standard/automated analysis) is available at [REDACTED] from Gorkana, [REDACTED] from Cision and [REDACTED] from Vocus.

87. In addition, GTCR submitted that there were several credible alternative suppliers of media monitoring services in the UK.<sup>22</sup> GTCR submitted win/loss data for these services customers for the financial years 2014 and 2013 to support this. The data indicates that Cision and Vocus are not a major competitors to Gorkana, with [REDACTED] winning a majority of its customers from [REDACTED] in 2014 ([REDACTED]% of customers, [REDACTED]% by revenue).
88. Likewise the loss data for Gorkana supported GTCR's assertion that [REDACTED] is its closest competitor for media monitoring services, with the win data submitted by GTCR for Cision indicates that [REDACTED] was Cision's closest competitor, but since the Merger between Cision and Vocus in 2014, [REDACTED] now represents the closest competitor to Cision/Vocus, with Cision/Vocus winning [REDACTED]% of customers from [REDACTED] (and [REDACTED]% by value). Cision's loss data shows that most of the customers it lost went to [REDACTED], followed by [REDACTED] and then [REDACTED].<sup>23</sup> This supports third parties' views that Gorkana is the market leader.
89. The win/loss data substantiates [REDACTED] is the closest competitor to Gorkana. While the Cision win/loss data does not show that [REDACTED] is its closest competitor, it does show that there are several competitors to Cision in media monitoring. These were [REDACTED].
90. The majority of customers who responded to the CMA's market investigation, did not raise concerns in relation to media monitoring services.

*Conclusion on horizontal unilateral effects in media monitoring services in the UK*

91. On the basis of the above, the CMA does not believe that the Merger will give rise to the realistic prospect of a SLC in media monitoring in the UK.

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<sup>22</sup> GTCR submitted that these were Precise, Meltwater, PR Newswire, NASDAQ OMX, LexisNexis (via Moreover), PRmax, Salesforce.com (via Radian6), Factiva, Mention, Brandwatch, LinkedIn (Newsle), PRIME Research and News Group International.

<sup>23</sup> The figures provided by GTCR show that [REDACTED] won [REDACTED] customers ([REDACTED] by revenue), whereas [REDACTED] won [REDACTED] customers ([REDACTED]% by revenue) and [REDACTED] won [REDACTED] ([REDACTED]% by value).

## *Horizontal unilateral effects in media analysis services in the UK*

### *Shares of supply*

92. GTCR submitted that the Parties have a combined market share in media analysis services of [10–20]%, with a [0–5]% increment. This level of market share is not one that would normally give the CMA cause for concern.

### *Closeness of competition*

93. GTCR submitted that Cision is only active to a limited degree in media analysis services, with a large number of other firms active in the market.
94. GTCR's internal documents suggest that there are a number of competitors to Cision in media analysis services, while internal documents provided for Gorkana identify [X] as its closest competitor.
95. The CMA did not receive any substantiated material concerns in relation to media analysis services from customers or competitors who responded to its market investigation.
96. GTCR also submitted win/loss data for each of the Parties. The CMA considered that the data provided was insufficient to draw firm conclusions, but that it did not suggest that the Parties were particularly close competitors.

### *Conclusion on horizontal unilateral effects in media analysis services in the UK*

97. On the basis of the above, the CMA has found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to media analysis services in the UK.

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

98. Entry, or expansion of existing firms, can mitigate the initial effect of a merger 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>24</sup>

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<sup>24</sup> [Merger Assessment Guidelines](#), from paragraph 5.8.1.

## Databases in the UK

99. The Parties submitted that barriers to entry in Databases in the UK are low. They estimate that an online Database that could compete effectively with their offerings (as well as those of their competitors) could be constructed within [REDACTED], at a cost of approximately £[REDACTED], and could be built out in sections (modularly).<sup>25</sup> Also GTCR submitted that the cost of building and expanding Databases is decreasing over time as journalists and other influencers post relevant information on social media.
100. The Parties noted that one specific means of entry is former employees of existing providers who leave and subsequently set up competing providers (such as Roxhill Media). The Parties also submitted that there had been numerous examples of entry and expansion in the recent period, including Fashion Monitor, PRmax, DWPub, Kantar/Precise and Roxhill Media.<sup>26</sup> The Parties noted that competitors with deep pockets could easily expand their current Database offerings (such as NASDAQ and Salesforce).
101. [REDACTED]
102. The CMA does not have any evidence suggesting that entry or expansion by existing, recent or prospective new entrants would be timely, sufficient and effective. Consistent with this, the CMA notes that the consideration GTCR has paid for Gorkana is not insignificant. The CMA acknowledges that the Merger also includes the acquisition of products and/or services other than Databases. However, such consideration appears particularly significant in the context of a sector which is described by GTCR as having very low barriers to entry and expansion.
103. The CMA contacted Roxhill Media to better understand the conditions of its entry. The time and expenditure taken by Roxhill to enter the market was [REDACTED].<sup>27</sup> It also stated that [REDACTED].
104. Other suppliers of IMS solutions contacted by the CMA have indicated that entry would be both more expensive and take longer than the Parties have estimated. Part of the reason for this discrepancy may be a difference in the

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<sup>25</sup> The Parties have submitted that the construction of an initial Database including front-end development work (that is developing the platform that a customer interacts with) for a 15 to 20 page website with basic functionality (eg journalist search function and saving lists and folders) could be built out and put to market within [REDACTED] at a cost estimate of approximately [REDACTED]. Following its launch and in parallel, upgrade development work to enhance the functionality of the Database (eg more advanced search functions, expansion of functionality on journalists profiles such as Twitter integration, media brief download) can be built out within a [REDACTED] at a cost of approximately £[REDACTED]. At this stage, further (optional) development work to further enhance the functionality of the Database is possible.

<sup>26</sup> The Parties also provide examples outside the UK of recent launches, for example Telum in Singapore/Hong Kong (by another founder of Gorkana, in 2013).

<sup>27</sup> [REDACTED]

scale of entry, with the Parties considering entry of a more focused offering (that is on one particular market segment such as financial services) rather than a comprehensive Database, but this was unclear.

105. Some third parties indicated that offering a Database product would probably cost in the region of [redacted] and that significant investment would be required to build, populate and maintain a Database. One third party noted that the capital expenditure to build and maintain their Database had been more than [redacted] over the last five years. Another noted that building and maintaining an up-to-date and accurate Database is a significant undertaking due to the manual nature, and local knowledge required to do this sort of research well. That third party noted that a team of [redacted] researchers could take up to five years to achieve a comprehensive Database (that is one covering all sectors and all channels – print, broadcast, bloggers, etc.).
106. The CMA has been unable to identify any prospective entrants into this market, and although barriers to entry and expansion are not insurmountable, they are such that entry may not be timely, likely and sufficient to remedy or mitigate the identified SLC.
107. For the reasons set out above, in particular the costs associated with developing and maintaining a Database, and the lack of evidence of recent or future entry (other than in relation to specific industry sectors), the CMA considers that entry or expansion would not be sufficient, timely or likely to prevent a realistic prospect of an SLC as a result of the Merger.

*Barriers to entry and expansion in relation to media monitoring and analysis services*

108. The Parties submitted that entry into media monitoring is easy as the majority of the work is done electronically and it is very easy for prospective providers of media monitoring services to obtain the raw data. In particular, new entrants can obtain the raw data of national and certain regional newspapers from the NLA eClips database. In addition, the migration of print media to web media over the last number of years, with many publications now being available in both hard copy and digital format, has further facilitated new entry. Finally, IMS providers have easy access to social media data (for example, through the feeds of large social media players such as Twitter and Facebook), and online media information providers such as Moreover Technologies, Gnip or Boardreader also aggregate and resell social media information to companies for integration into broader IMS solutions and indeed many IMS players currently do purchase raw feeds from these three parties for incorporation into their IMS offering.

109. The CMA notes that the Office of Fair Trading in Durrant/Cision stressed the distinction between suppliers of media monitoring and, separately, analysis services from 'News aggregators'<sup>28</sup> which can also be relevant when assessing the barriers to entry and expansion given the entrants (or prospective entrants) GTCR has suggested. Some of them seem to focus more on 'News aggregation' than media monitoring and analysis services.
110. Third parties who responded to the CMA's market test gave their views on barriers to entry and expansion in relation to IMS generally, and did not consider media monitoring or analysis separately. However, they indicated that barriers to entry in this market were in general considerable and cited challenges relating to (i) the necessary technology infrastructure to capture, process and present content; (ii) licensing fees (eg in relation to print media); (iii) the labour intensive nature of the monitoring and analysis space; and (iv) the need to establish credibility in the UK market.
111. The CMA notes that barriers to entry in the media monitoring and analysis space may be significant but, as it did not identify an SLC in the supply of media monitoring and separately analysis services in the UK, it has not been necessary to conclude on the extent of barriers to entry in this respect.

### **Third party views**

112. The CMA contacted over 75 customers and competitors and received responses from 15 customers and six competitors. The CMA targeted, in particular, customers which had switched recently from the Parties to other suppliers of Databases.
113. While most customers and competitors viewed the Parties as close competitors primarily due to recognition in the market, only a few customers raised concerns regarding the overall effects of the Merger. In contrast, most competitors raised concerns about the Merger, in particular in relation to Databases.
114. Third party comments have been taken into account where appropriate in the competitive assessment above.

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<sup>28</sup> Office of Fair Trading's decision on the anticipated acquisition by Durrant Limited of certain media monitoring assets of Cision UK Ltd (Case ME/4129/09), paragraph 24.

## **Decision**

115. Consequently, the CMA believes that it is or may be the case that the Merger has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom.
116. 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, GTCR has until Tuesday 7 April 2015 to offer an undertaking to the CMA that might be accepted by the CMA under section 73(2) of the Act. If GTCR does not offer an undertaking by this date, if GTCR indicates before this date that it does not wish to offer an undertaking, or if pursuant to section 73A(2) of the Act the CMA decides by Tuesday 14 April 2015 that there are no reasonable grounds for believing that it might accept the undertaking offered by GTCR, or a modified version of it, then the CMA will refer the Merger pursuant to sections 22(1) and 34ZA(2) of the Act.

**Andrea Coscelli**  
**Executive Director**  
**Competition and Markets Authority**  
**27 March 2015**