

**COMMERCE ACT 1986: BUSINESS ACQUISITION  
SECTION 66: NOTICE SEEKING CLEARANCE**

**6 August 2007**

By email: registrar@comcom.govt.nz  
The Registrar  
Market Structure Group  
Commerce Commission  
PO Box 2351  
WELLINGTON

Pursuant to s 66 (1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

**EXECUTIVE SUMMARY**

1. Clearance is sought for:
  - (a) the acquisition of shares in JV Co (a new company to be formed) by New Zealand Post Limited ("New Zealand Post") and Salmat International Pty Limited ("Salmat"), or their subsidiaries, in approximately equal proportions; and
  - (b) the acquisition by JV Co of the assets of the unaddressed mail delivery businesses of Letterbox Channel Limited ("LBC") and Deltarg Distribution Systems Limited ("Deltarg"),("the Acquisition").
2. LBC and Deltarg are, respectively, currently wholly-owned subsidiaries of New Zealand Post and Salmat.
3. The Acquisition will not substantially lessen competition in any market in New Zealand.

**Rationale for the Acquisition**

4. JV Co will be a highly efficient, best practice unaddressed mail distribution company. It will combine the current strengths of LBC and Deltarg, while realising a number of efficiencies and network synergies.
5. The Applicants intend that JV Co will continue to provide an excellent, economic service to its current customers, while being better positioned to compete strongly for a share of overall media advertising spend. Total advertising spend in 2006 was approximately \$2.2 billion, of which unaddressed mail accounted for approximately \$64 million (2.9%).

**No substantial lessening of competition will result**

6. The Acquisition will not substantially lessen competition in any market in New Zealand.
7. Unaddressed mail distribution is one of a vast number of competing advertising channels available to advertisers. Each channel has strengths and weaknesses and, depending upon the advertising objective, advertisers and their agents may choose

between substitutable and complementary channels. Advertisers use a mix of media options, and can (and do) change their mix.

8. Competition between advertising channels continues to intensify. Traditional advertising channels, including unaddressed mail, are under pressure to retain their existing shares of advertising spend. With the advent and growth of electronic media, such as email and SMS/text messaging, along with the growing penetration of broadband into the household and increasingly sophisticated internet activities, competition for advertising spend has become even more intense. With the emerging presence of digital television, this trend appears likely to continue.
9. The Applicants consider that all advertising channels compete against and constrain one another. However, they acknowledge that the Commerce Commission (“the Commission”) is unlikely to define a broad ‘advertising market’ and is likely to adopt a narrower market definition. The Applicants agree with a number of the Commission’s observations in its *Fairfax/Times Media* decision, although they note that several features of this Acquisition differ from that in *Fairfax/Times Media*.
10. In the Applicants’ view, the relevant market in which they compete is the national market for print advertising, which includes:
  - (a) unaddressed mail; and
  - (b) newspaper advertising in metropolitan and community newspapers (‘run of paper’ or display advertising and newspaper inserts).
11. Even on the narrowest possible market definition, limited to the core business activities of both Applicants (a national market for unaddressed mail distribution and related services), the Acquisition will not substantially lessen competition due to:
  - the level and extent of competition from substitutable media;
  - the strength of competition from the other major provider of unaddressed mail delivery services, PMP Distribution Limited (“PMP”); and
  - the degree of countervailing power held by advertisers and their agents.
12. These constraints are such that prices will continue to be under significant pressure, meaning that it is likely that customers will share in the efficiency gains resulting from the Acquisition.
13. So while the Applicants consider that examination of a national market for print advertising most appropriately reflects relevant market dynamics, they do not consider that this particular market definition (as opposed to, say, that adopted in *Fairfax/Times Media*) is critical for proper assessment of the competitive effects of the Acquisition. All of the market dynamics discussed form an integral part of the competition landscape and the constraints identified must be taken into account regardless of the market definition chosen (and whether the constraints are viewed as operating inside or outside the market as defined). When consideration is given to competition in this context, the Applicants consider that it is clearly evident that no substantial lessening of competition results from the Acquisition.

## Competition from substitutable media

### *Metropolitan and community newspapers*

14. A key function of unaddressed mail is the advertising of sales promotions. As recognised by the Commission in *Fairfax/Times Media*, newspapers provide particularly strong substitutes for advertising sales promotions.
15. Both metropolitan and regional newspapers offer display advertising and insert advertising opportunities delivered through physical networks similar to those operated by the Applicants. For example, the Christchurch Star newspaper at times has:
  - Delivered unaddressed mail for an unaddressed mail distribution company;
  - Offered its own unaddressed mail service (apart from newspaper inserts); and
  - Itself been delivered by an unaddressed mail distribution company.
16. Newspapers are actively looking to increase their opportunities to deliver inserts and promote their service offering through other advertising channels, and through unaddressed mail in particular. Newspapers claim to be “invited in” to the letterbox. The insert business adds extra revenue to newspaper delivery networks that would operate regardless of volumes of unaddressed mail. While titles are principally delivered region by region, the major newspaper publishers, Fairfax New Zealand Limited (“Fairfax”) and APN New & Media Limited (“APN”) and the Newspaper Advertising Bureau (“the NAB”) offer packages which provide nationwide substitutes for unaddressed mail.

### *A wide range of other advertising channels*

17. The array of alternative advertising channels includes:
  - Television: Free-to-Air (Ch 1, TV2, TV3, C4, Prime and MTS) and Pay TV (SKY);
  - Radio;
  - Newspapers (‘run of paper’ or display advertising, inserts and classified advertising);
  - Magazines;
  - Out of home media (billboards, bus stops, mobile media, ambient media etc);
  - Telemarketing;
  - Addressed mail;
  - Cinema;
  - Interactive advertising, including the Internet, email marketing and SMS/text messaging.
18. Each has its own features that may attract advertisers and their agents depending upon the objectives of the advertising campaign, the message, and the desired audience.

19. Advertisers and their agents use a range of channels to convey messages that reinforce each other. They can and do change their advertising mix based upon price variations (amongst other things). There is no consistent or ideal mix in an increasingly fragmented range of advertising channels, and no advertising channel, including unaddressed mail, is solely essential to sales promotions. Advertisers in similar industries use different advertising channels for sales promotions interchangeably. Examples of this include:
- Hannahs using TV and unaddressed mail – Number One Shoe Warehouse using TV, display advertising and radio;
  - Placemakers using TV and unaddressed mail - ITM using TV and newspaper inserts;
  - Farmers using unaddressed mail, display advertising and TV - Briscoes using unaddressed mail, newspaper inserts, display advertising and TV;
  - Countdown using unaddressed mail, display advertising and TV - Pak’N’Save using display advertising, radio, outdoor advertising and TV.
20. The major competitors in the advertising market are large, well resourced and integrated. As cross-media ownership increases, advertisers are developing a greater range of advertising options and they are offering them in different combinations and in different bundles to meet more diverse demand.

### **Competition in unaddressed mail services**

21. There is one other major national provider of unaddressed mail services (PMP), and there are a range of smaller local/regional operators throughout New Zealand.
22. PMP is a major player in the Australasian market. It is a significant, aggressive competitor to LBC and Deltarg for unaddressed mail distribution in New Zealand and wins business from its rivals. It is also Salmat’s major rival in Australia. Like Deltarg, PMP’s ability to price competitively in New Zealand is materially enhanced by its strategic positioning as a major player in both Australia and New Zealand. A number of the major customers [ ] have significant businesses in both countries. This gives the opportunity to price New Zealand business in the context of the value of Trans Tasman accounts. The Applicants consider this to be a further factor influencing the pricing of unaddressed mail services in New Zealand currently, and that this will continue with PMP’s presence after the Acquisition.
23. Unlike LBC and Deltarg, PMP offers printing and publishing as well as unaddressed mail delivery. PMP is also in a position to take advantage of its vertical integration to offer end-to-end printing and delivery services for unaddressed mail. The printing and delivery businesses of PMP are complements, and so PMP is able to increase demand for its printing business by reducing margins on its delivery business.
24. As a specialist unaddressed mail delivery company, the ability of JV Co to compete will be heavily influenced by costs beyond its control, most notably printing/publishing costs which are a major proportion (up to two thirds) of the total cost of unaddressed mail to the advertiser. It is the total cost that will be factored into the decision to choose unaddressed mail over other advertising channels (many of which do not incur printing/publishing costs). In this regard, PMP has a significant competitive advantage through vertical integration into printing/production services. It is well placed to compete against JV Co. This will not change as a result of the Acquisition.

25. There are no constraints on PMP's ability to expand its distribution services.

**Countervailing power of advertisers/customers**

26. JV Co would be totally reliant on revenue from advertisers, unlike a number of other competitors in the advertising market which can rely on revenue streams from subscriptions and sales. As a result, advertisers and their agents enjoy considerable countervailing power from the ability to switch to other credible alternatives or simply adjust their media spend in response to price or service quality changes.

27. This countervailing power is magnified for major customers such as [

]. These customers use the wide range of advertising channels open to them.

28. In summary, the Acquisition would take place in an already highly competitive environment. JV Co will be competing against a very strong direct competitor. It will be heavily constrained by an array of other substitutable and/or complementary advertising channels, which continue to aggressively pursue the advertising expenditure of major national advertisers. Those advertisers are themselves customers that will continue to exert strong countervailing power on JV Co. After the Acquisition, JV Co will continue to be subject to very strong constraints.

29. Faced with the intensity of this competition, the Applicants believe that the Acquisition will be pro-competitive because:

- JV Co will be able to expand and operate from a lower cost base by combining the two networks, resulting in efficiency gains;
- further cost savings will result from putting a higher volume of business through the lower cost network, resulting in further economies of density; and
- Competitive pressure and countervailing power will ensure that customers realise the benefit of these efficiencies.

30. In all the circumstances, and even on the narrowest possible view of the relevant market, JV Co has little prospect of exercising any adverse market power (unilateral or co-ordinated) and the Acquisition is unlikely to have any effect on market prices.

31. The Applicants do not consider that the Acquisition raises competition concerns.

## PART I: TRANSACTION DETAILS

1. What is the business acquisition for which **clearance** is sought?

1.1 Clearance is sought for:

- (a) the acquisition of shares in JV Co (a new company to be formed) by New Zealand Post and Salmat or their subsidiaries; and
- (b) the acquisition by JV Co of the assets of the unaddressed mail businesses of LBC and Deltarg.

1.2 LBC and Deltarg are currently wholly-owned subsidiaries of New Zealand Post and Salmat respectively.

1.3 JV Co has yet to be incorporated and the shareholding interests of New Zealand Post and Salmat have not yet been finally determined. It is, however, anticipated that the shareholdings in JV Co will be 50:50.

1.4 New Zealand Post and Salmat have entered into an agreement to investigate and, if appropriate, to conclude a merger of the businesses of LBC and Deltarg and to lodge this application for merger clearance. However, the parties have yet to conclude negotiations and have not yet agreed the terms of the sale and purchase agreements which would relate to the transaction.

2. Who is the person giving this notice?

2.1 This notice is given by:

John Allen  
New Zealand Post Corporate Office  
7-27 Waterloo Quay  
WELLINGTON

Philip Salter  
14-16 Chandos Street  
St Leonards  
NSW 2065  
AUSTRALIA

Telephone: (04) 496 4999  
Facsimile: (04) 496 4202

Telephone: (0061) 2 9928 6782  
Facsimile: (0061) 2 9928 6652

2.2 All correspondence and notices in respect of this application should in the first instance be directed to:

**Minter Ellison Rudd Watts**  
Lumley Centre  
88 Shortland Street  
PO Box 3798  
AUCKLAND

Attention: Andrew Matthews  
Oliver Meech  
Telephone: (09) 353 9700  
Facsimile: (09) 353 9701

### 3. Confidentiality

- 3.1 Confidentiality is not claimed for the fact of the proposed acquisition.
- 3.2 Confidentiality is sought for:
- (a) the information contained in confidential Annexes 3 and 8 to the confidential version of this application. Those annexes are not attached to the public version of this application; and
  - (b) the information contained in bold and in square brackets in the confidential version of this application (i.e. [ ]).
- 3.3 Confidentiality is sought until the relevant applicant confirms in writing to the Commission that the particular information is no longer confidential.
- 3.4 This request is made because the information is commercially sensitive and valuable information which is confidential to the Applicants. Disclosure of the information would be likely unreasonably to prejudice the commercial position of the relevant Applicant. Confidentiality is requested under section 100 of the Commerce Act 1986 and under section 9(2)(b) of the Official Information Act 1982.



4. Who are the participants (i.e. the parties involved)?

4.1 The participants are:

- (a) JV Co, New Zealand Post and Salmat.

**New Zealand Post Limited**

New Zealand Post Corporate Office  
7-27 Waterloo Quay  
WELLINGTON

**Salmat International Pty Limited**

14-16 Chandos Street  
St Leonards  
NSW 2065  
AUSTRALIA

- (b) LBC and Deltarg.

**Letterbox Channel Limited**

Level 12  
New Zealand Post Corporate Office  
7-27 Waterloo Quay  
Wellington

**Deltarg Distribution Systems Limited**

417 Church Street  
Penrose  
Auckland

5. Who is interconnected to or associated with each participant?

**New Zealand Post**

- 5.1 The main business activities of the New Zealand Post Group include business and personal communications, physical goods distribution and logistics, banking and payments, and document and information management.
- 5.2 New Zealand Post is a state-owned enterprise under the State-Owned Enterprises Act 1986. Its shareholding Ministers on behalf of the Crown are the Minister for State-Owned Enterprises and the Minister of Finance.
- 5.3 A diagram of the New Zealand Post group's main business activities is attached at Annex 1. For further details see <http://www.nzpost.co.nz/Cultures/en-NZ/AboutUs/CorporateInformation>.

**Salmat**

- 5.4 Salmat is one of Australasia's leading direct customer communications companies, employing more than 5,000 people, with operations in 23 offices across Australia and internationally in New Zealand and Asia. Salmat operates through three business divisions:
- (a) Targeted Media delivers advertising catalogues to homes throughout Australia and New Zealand;<sup>1</sup>
  - (b) Business Process Outsourcing processes and mails bank and credit card statements, accounts and other customised bulk mailings in Australia, Hong Kong, Taiwan and the Philippines; and
  - (c) Contact Centres handle inbound and outbound telephone/communications from New Zealand, Australia and the Philippines.
- 5.5 Salmat is listed on the Australian Stock Exchange. For further details see [www.salmat.com.au](http://www.salmat.com.au).
- 5.6 A diagram of the Salmat group is attached at Annex 2.
- 5.7 This application relates to the unaddressed mail businesses of LBC and Deltarg. LBC and Deltarg are, respectively, wholly-owned subsidiaries of New Zealand Post and Salmat.

6. Does any participant, or any interconnected body corporate thereof, already have a beneficial interest in, or is it beneficially entitled to, any shares or other pecuniary interest in another participant?

- 6.1 Neither New Zealand Post nor Salmat, nor any of their interconnected bodies corporate, has any beneficial interest in shares or any other pecuniary interest in the other.

<sup>1</sup> New Zealand delivery is carried out by Deltarg.

7. Identify any links, formal or informal, between any participant/s including interconnected bodies corporate and other persons identified at paragraph 5 and its/their existing competitors in each market.

7.1 New Zealand Post and LBC do not have any links, formal or informal, with Salmat and/or Deltarg or any other competitor in any of the markets affected by the Acquisition, other than the following:

- (a) New Zealand Post currently provides the following services to LBC:
- (i) Postie delivery of unaddressed mail to residential addresses and/or business premises;
  - (ii) delivery of unaddressed mail to rural homes;
  - (iii) delivery of unaddressed mail to PO Boxes and Private Bags;
- (b) LBC has historically offered:
- (i) all the above services to its own customers; and
  - (ii) unaddressed mail delivery services (together with the necessary pre-processing and sorting) to Deltarg and PMP<sup>2</sup> to reach residential areas, rural homes, PO Boxes and Private Bags, with the delivery carried out by New Zealand Post's Postal Services Group;
- (c) Post-acquisition, New Zealand Post will offer these services to PMP and any other competitors of JV Co on substantially the same terms and conditions, including as to price, as are offered to JV Co. Product lodged directly with New Zealand Post for delivery through these channels will be required to meet sorting, processing, and lodgement criteria. Alternatively, product will be able to be lodged with JV Co, which will continue to offer the processing and sorting services that are currently offered by LBC;
- (d) LBC delivers the following community newspapers:
- (i) [ ];
  - (ii) [ ];
  - (iii) [ ].
- (e) PMP, APN and Webstar print unaddressed mail catalogues for customers who contract with LBC, Deltarg or PMP for customer targeting and delivery. The unaddressed mail companies liaise with the web printers to receive product for delivery.

<sup>2</sup> Deltarg has not requested postie delivery. PMP has utilised a small volume of postie delivery.

7.2 Salmat and Deltarg do not have any links, formal or informal, with New Zealand Post and/or LBC or any other competitor in any of the markets effected by the Acquisition, other than the following:

- (a) See 7.1 (a), (b) and (e) above; and
- (b) Some of Deltarg's contracted drivers also carry out deliveries for Gordon & Gotch, a PMP entity.

7.3 For the avoidance of doubt, Deltarg does not deliver community newspapers.

### **Industry associations**

7.4 New Zealand Post is:

- (a) a member of the Advertising Standards Authority ("ASA");
- (b) a member and a sponsor of the Association of New Zealand Advertisers ("ANZA");
- (c) a sponsor of the Communication Agencies Association of New Zealand ("CAANZ");
- (d) a primary sponsor of the Marketing Association; and
- (e) the principal sponsor of the Magazine Publishers Association ("MPA").

Other members of these organisations include other players in the advertising industry.

7.5 LBC is:

- (a) a member of the Letterbox Media Association ("LMA"), an industry association established to collectively represent the interests of the unaddressed mail companies on industry issues. The other members of the LMA are Deltarg and PMP;
- (b) a member of the Marketing Association and the Employers and Manufacturers Association;
- (c) a sponsor of the Fundraisers Institute of New Zealand; and
- (d) a funding provider to CAANZ.

7.6 Salmat is:

- (a) a patron member of the Australian Catalogue Association;
- (b) a member of the Distribution Standards Board which is the industry governing body;
- (c) a member of the Australian Direct Marketing Association; and
- (d) a member of the Australian Teleservices Association.

7.7 Salmat's Divisional Director, David Besson is a Director on the Board of the Major Mail Users of Australia.

## 7.8 Deltarg is:

- (a) a member of the LMA;
- (b) a member of the Marketing Association;
- (c) a member of the Employers and Manufacturers Association; and
- (d) a member of the Letterbox Media Association.

8. Do any directors of the 'acquirer' also hold directorships in any other companies which are involved in the markets in which the target company/business operates?

8.1 None of the directors of the companies in the New Zealand Post Group hold directorships in any other companies (other than companies in the New Zealand Post Group) that are involved in the print advertising market in New Zealand.

8.2 None of the directors of the companies in the Salmat Group hold directorships in any other companies (other than companies in the Salmat Group) that are involved in print advertising in New Zealand.

9. What are the business activities of each participant?

9.1 In relation to the wider activities of the New Zealand Post Group and Salmat, see the response to question 5 above.

9.2 In relation to LBC and Deltarg, the core business activities of these companies are customer targeting for unaddressed mail, delivery of unaddressed mail and reporting.

9.3 LBC and Deltarg specialise in customer targeting for, and the distribution of, promotional marketing and communications material including catalogues, mailers, circulars, sample products and local and central Government newsletters.

## LBC

9.4 LBC was incorporated in 1988 under the name FastPost Enterprises Limited. In 1999 it changed its name to Kiwimail Limited (and again in 2003 to Kiwimail Group Limited). Its original business was to provide delivery of addressed mail. However, in 2003 Kiwimail changed its name to LBC and refocused its business on unaddressed mail.

9.5 LBC operates a national delivery network through:

- (a) a franchised Supervised Urban Network ("SUN") in 17 areas across New Zealand. The SUN network is a field delivery force of over 4,200 deliverers (or "runners"), primarily students and young people. LBC currently operates four delivery windows:
  - (i) Tuesday/Wednesday<sup>3</sup>;
  - (ii) Thursday/Friday<sup>4</sup>;
  - (iii) Saturday/Sunday; and

<sup>3</sup> With items delivered over the two days.

<sup>4</sup> In recent times LBC has offered Thursday (only) and Friday (only) delivery windows for certain customers.

(iv) Sunday (South Island only).

- 9.6 LBC also offers, via New Zealand Post, postie delivery<sup>5</sup>, counter delivery<sup>6</sup>, and delivery to rural homes, PO Boxes and Private Bags. LBC carries out the necessary processing and sorting which is required prior to delivery through these channels by New Zealand Post's Postal Services Group. Product is sorted as follows: for postie delivery, by delivery branch; for rural delivery, by rural delivery run; and for delivery to PO Boxes and Private Bags, by Box/Bag lobby. LBC also arranges transport of product to the relevant acceptance point.
- 9.7 LBC does not offer print or production services.

### **Deltarg**

- 9.8 Deltarg started business in July 1994, expanding to offer a national service by November 1995. The name "Deltarg" is a compression of the foundation concepts of delivery ("del") of targeted ("targ") letterbox advertising. Salmat acquired a 50% interest in Deltarg in April 1995 and the remainder in June 1999.
- 9.9 Deltarg also operates a national delivery network with a field delivery force of approximately 3,500 deliverers/runners, again predominantly students and young people, 160 area representatives and around 40 contract drivers. Deltarg contracts directly with all parties in its delivery network i.e. it does not operate a franchise model, in contrast to LBC.
- 9.10 Deltarg's national network covers all urban main centres. For delivery to rural homes, PO Boxes and Private Bags (approximately 7% of its volumes annually), Deltarg contracts with LBC for the necessary processing and sorting and for delivery via New Zealand Post. It does not contract for postie delivery.
- 9.11 Deltarg offers two delivery windows: Tuesday/Wednesday and Saturday/Sunday.<sup>7</sup>
- 9.12 Deltarg does not offer print or production services.

### **The delivery process for unaddressed mail**

- 9.13 Attached at confidential Annex 3 is a diagram setting out the stages of the delivery process for unaddressed mail. [ ].

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<sup>5</sup> Delivery by New Zealand Post posties.

<sup>6</sup> Delivery of e.g. catalogues and flyers (point of sale material) to the counter of small businesses.

<sup>7</sup> With items delivered over the two days.

10. What are the reasons for the proposal and the intentions in respect of the acquired or merged business?

10.1 Currently both LBC and Deltarg are marginally profitable businesses, [ ]. The Acquisition presents an opportunity to realise a number of synergies leading to the creation of a highly efficient and 'best practice' specialist unaddressed mail company, well positioned to compete strongly for an increased share of overall media advertising spend.

### Density

10.2 Unaddressed mail products themselves are relatively undifferentiated. Accordingly, the key to a competitive unaddressed mail delivery business lies in being able to provide the lowest cost delivery network and then improve density or volumes over the network.

10.3 Density refers to the number of items delivered to addresses in particular areas (runs) over an established network. Marginal cost decreases as density increases. Therefore the organisation that can achieve the highest density per run has the best chance of success, all other things being equal.

10.4 [ ]. Improved density makes delivery windows more efficient and achieves economies of scale in transport, warehouse and other operations. Volume also creates greater flexibility and responsiveness to customer demands.

### Operating model

10.5 The parties to the proposed transaction have not finalised planning for a new operating model pending Commerce Commission clearance. [ ]

].

10.6 [ ]:

]:

(a) [ ]

];

(b) [ ]

];

(c) [ ]

];

10.7 [ ]

].

10.8 As prices will continue to be under significant pressure (due to the constraints described in more detail later in this application, such as continuing competition from PMP and other advertising media), customers are likely to share in the financial benefits of a more efficient combined network.

**Complementary businesses**

10.9 The proposed transaction also has the aim of combining the complementary aspects of Deltarg and LBC businesses. These include:

(a) [ ];

(b) [ ];

(c) [ ];

(d) [ ];

(e) [ ].

**Growth**

10.10 Unaddressed mail as an advertising medium accounts for only 2.9% of a broader advertising market. The parties are of the view that there is room to grow that market share or put another way, to grow a more narrowly defined market for unaddressed mail as a whole.

10.11 JV Co's scale and presence should position it better to grow advertising market share. [

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## PART II: IDENTIFICATION OF MARKETS AFFECTED

### Horizontal aggregation

11. Are there any markets in which there would be an aggregation of business activities as a result of the proposed acquisition?

Please identify for each market:

- the product(s), functional level, geographic area and (where relevant) timeframe;
- the specific parties involved;
- the relationship of those parties to the acquirer or target company as the case may be.

### Aggregation

11.1 The Acquisition would result in an aggregation of the business activities of LBC and Deltarg in customer targeting for unaddressed mail, the delivery of unaddressed mail, and reporting. These services are offered nationally and regionally/locally.

11.2 However, unaddressed mail is one of many advertising channels through which advertisers/customers get their message to market. There is significant competition between various advertising channels and advertisers can and do move their advertising spend freely between them. Service providers are wholly dependent for their revenue on advertisers and their key influencers. Therefore, the Acquisition itself should be considered in the context of the broader advertising industry in New Zealand. Industry background is provided in the section below. Market definition is considered in the following section.

### The New Zealand advertising industry

#### *Introduction*

11.3 The New Zealand advertising market is immense.

11.4 Figures released by the Advertising Standards Association (“ASA”) for 2006 show annual advertising spend across all media of approximately \$2.2 billion, of which “unaddressed mail” accounted for approximately \$64 million or 2.9% of overall advertising spend. A copy of the ASA’s industry turnover statistics for 2006 is attached at Annex 4 and can be accessed at [www.asa.co.nz/industry\\_turnover/stats.htm](http://www.asa.co.nz/industry_turnover/stats.htm).

11.5 The New Zealand advertising market has been growing steadily for over a decade and between 2003 and 2004 alone, the market grew by 11.7%. Current forecasts suggest that this market will continue to experience steady growth, with new media and internet advertising in particular, expected to experience significant growth over the next decade.

11.6 The industry is highly dynamic. TVNZ’s Strategy 2007 – 2011 “Inspiring on Every Screen” (December 2006) notes that:

“In the past 10 months, the media market in New Zealand has seen a number of new developments demonstrating the growing presence of new entrants, including:

- The announcement of the forthcoming Freeview launch.
- SKY has acquired Prime.
- Vodafone and Telecom have become content aggregators/distributors and are already trialling video content on mobile phones...
- Fairfax has acquired Trademe and is consolidating its stuff.co.nz and trademe.co.nz content.
- The Government's announcement that it will act to allow competitors access to Telecom's local loop has signalled potential growth in broadband penetration and, along with it, an anticipated increase in broadband video services, such as video on demand and television over the internet.
- Vodafone's purchase of ihug...
- Seven Network has entered into a joint venture with Yahoo to provide Australians and New Zealanders video sneak peeks, music videos, news and entertainment...
- Video iPods Digital/Personal Video Recorders (D/PVRs) have entered the market.
- Sony's plans to introduce a home media storage and player device using an IP connection to access movie catalogues and technology to enable viewers to "broadcast" from the PC to the television."<sup>8</sup>

11.7 The impact of competition from the emerging media (the Internet, email advertising, SMS/text messaging and digital television) on the traditional advertising channels (television, radio, newspapers, magazines and other print advertising channels (including unaddressed mail)) has not yet been fully realised. The extent of this new challenge to historic advertising revenues is probably the most significant competitive threat to traditional advertising channels such as unaddressed mail.

11.8 There is growing interest from advertisers and campaign planners in 'one-to-one' marketing, where the advertising message is communicated to consumers individually rather than to a mass audience. This is also referred to as 'below the line' advertising, which targets a specific audience on a one-to-one basis, in contrast to 'above the line' advertising through the traditional mass reach advertising channels. The emergence of new digital and electronic media, which are perceived as low cost, one-to-one and highly measurable mass reach advertising channels, is resulting in a blurring of the traditional distinction between 'above the line' and 'below the line' advertising, with all advertising channels competing aggressively for advertising revenues.

11.9 Cross media ownership is increasing as one response to this trend:

- (a) a consortium comprising TVNZ, CanWest, Radio New Zealand, Maori Television Service ("MTS") and the New Zealand Racing Board recently announced the forthcoming launch of Freeview, the first free-to-air digital television platform in New Zealand;
- (b) SKY now owns Prime;
- (c) Both Fairfax and APN own and actively cross sell across several advertising channels:
  - (i) In 2006, Fairfax purchased Trademe which it is in the process of consolidating with stuff.co.nz. Fairfax also has a stable of metropolitan

<sup>8</sup> TVNZ's Strategy 2007-2011, available via [www.tvnz.co.nz](http://www.tvnz.co.nz)

and community newspapers (including *The Dominion Post*, *The Press*, *Waikato Times*, *Sunday News* and *the Sunday Star Times*) and magazines (including *Cuisine*, *Boating NZ*, *NZ Gardener*, *NZ House & Garden*, *onHoliday*, *TV Guide*, *Computerworld*, *NZ Fishing News*, *NZ Trucking*, *Growing Today*, *NZ Reseller News*, *CIO* and *NZ PC World*);

- (ii) APN's cross-media ownership interests include metropolitan and community newspapers (including the *New Zealand Herald* and nine provincial newspapers), magazines (including *NZ Listener*, *NZWW* and *Crème*), radio (120 stations operating under The Radio Network), outdoor advertising (Cody, Look Outdoor) and interactive media (Finda, Search4, Wises Maps, UBD).

11.10 These companies utilise cross-media ownership to extend advertising reach and frequency of messages, to offer a single point from which to co-ordinate media campaigns and to maximise revenue across the advertising channels owned. The ability to offer an integrated media proposition is likely to be very attractive to advertisers seeking broad reach and exposure across multiple platforms at a bundled price.

11.11 The convergence of services and technology is expected to change the media landscape significantly. Moreover, all these developments, new technologies, innovations and bundled offerings are likely to impact negatively on traditional advertising channels such as unaddressed mail.

11.12 The following section continues the discussion on the broader advertising market in New Zealand, setting out the main advertising channels and the range of options available to advertisers within each.

#### *Advertising channels*

11.13 There are ten common advertising channels available to advertisers and their key influencers. They are:

- Television: Free-to-Air (Ch1, TV2, TV3, C4, Prime, MTS) and Pay TV (SKY);
- Radio;
- Newspapers ('run of paper' or display advertising, inserts and classified advertising);
- Unaddressed mail;
- Magazines;
- Out of home media (billboards, bus-stops, mobile media, ambient media etc);
- Telemarketing;
- Addressed mail;
- Cinema;
- Interactive advertising, including the Internet, email marketing and SMS/text messaging.

#### 11.14 **Television: Free-to-air and Pay TV:**

Currently there are six main free-to-air television channels and a number of small regional television channels. State-owned TV1 and TV2 commanded a 65% share of the television audience in 2004. Prime TV and Maori Television Service (“MTS”) viewer numbers are growing. CanWest recently sold TV3 and C4 to private equity player, Ironbridge Capital. In Pay TV, SKY Network Television Limited now has over 600,000 subscribers.

Digital television is an emerging advertising channel in New Zealand. The first free-to-air platform to enter is Freeview, the launch of which was announced in May 2007 by a consortium comprising TVNZ, CanWest, Radio New Zealand, MTS and the New Zealand Racing Board. The consortium intends to develop a shared digital platform to bring digital free-to-air television to New Zealand and will be promoting the benefits to viewers, which include digital-quality pictures and audio to the standard that viewers currently enjoy with DVDs. Digital transmission will also remove the constraints on the number of channels and amount of content able to be delivered under analogue transmission (further fragmenting the media market). Several of the consortium partners have recently announced new channels which will be transmitted on the Freeview platform (in addition to existing channels).

Digital transmission will also facilitate so-called “interactive television”, which is expected to give the viewer stronger control over the type and depth of messages they receive, as well as the ability to purchase instantly, taking television into the one-to-one marketing space and offering a strong challenge to information and offer based media such as newspaper, radio, the Internet, magazines and unaddressed mail.

Total annual spend on television advertising in 2006 was \$641 million, representing 28.8% of the total advertising market.

Sources: <http://digital.tvnz.co.nz>; [www.asa.co.nz](http://www.asa.co.nz); <http://freeviewnz.tv>

#### 11.15 **Radio:**

New Zealand has more radio stations per capita than any other country in the world. Auckland alone has more FM stations than either New York or London.

There are two key owners operating in New Zealand currently: Canadian-based CanWest Global (RadioWorks Ltd) and APN (The Radio Network). The two groups own or control over 350 frequencies nationwide between them. The Radio Network’s stable of stations includes NewsTalkZB, RadioSport, Classic Hits, ZM, Coast, Flava, Viva, and Radio Hauraki. CanWest/RadioWorks stations include Radio Live, Radio Pacific/Radio Trackside, The Edge, The Rock, The Breeze, More FM, Solid Gold, and Kiwi FM.

Total annual spend on radio advertising in 2006 was around \$269 million representing 12.1% of the total advertising market.

Sources: [www.asa.co.nz](http://www.asa.co.nz); [www.trb.co.nz](http://www.trb.co.nz)

#### 11.16 **Newspapers:**

Ownership of newspapers is shared primarily between APN and Fairfax.

Fairfax currently publishes nine daily newspapers, two Sunday newspapers, numerous lifestyle magazines and operates a magazine publishing business and an Internet operation. Fairfax publishes over 65 community newspapers throughout the

country. Fairfax is a wholly-owned subsidiary of Australian company John Fairfax Holdings Limited.

APN is controlled by Independent News and Media plc. APN currently publishes nine daily newspapers and over 30 community newspapers, as well as offering Internet-media, specialist publishing (including two weekly magazines) and commercial printing through W & H Print Limited. APN has a 50% shareholding in the Radio Network Limited, which operates 120 radio stations nationwide.

Between them, Fairfax and APN control over 93% of the metropolitan and regional newspapers and over 75% of community newspapers throughout New Zealand. Fairfax accounts for around 56.4% of New Zealand's daily and weekly newspaper circulation while APN accounts for around 36.7%.

As noted above, Fairfax's publications include *The Dominion Post*, *The Press*, *Waikato Times*, *Sunday Star Times* and *Sunday News*.

APN's publications include The New Zealand Herald, which has the largest daily metro circulation (191,844) and nine provincial newspapers.

Of note is the growing strength of community newspapers, the majority of which are also owned by either Fairfax or APN. Circulations of community newspapers challenge that of some daily newspapers, for example *The Manukau Courier* (53,219), *North Shore Times* (62,287), *Western Leader* (61,125), *Central Leader* (50,728), *East & Bays Courier* (39,472) and the *Eastern Courier* (34,573).

There is also growing competition among the Sunday papers. APN recently introduced the *Herald on Sunday* which, with a circulation of 89,726 is strongly challenging Fairfax's *Sunday Star Times* (177,680) and *Sunday News* (89,180).

The total annual spend on newspaper advertising in 2006 was around \$810 million, representing 36.4% of the total advertising market. This figure includes display, retail, classified and insert advertising. As the ASA data shows, the newspapers have consistently had the largest share of total advertising spend.

Sources: [www.fairfaxnz.co.nz](http://www.fairfaxnz.co.nz); [www.apn.co.nz](http://www.apn.co.nz); [www.asa.co.nz](http://www.asa.co.nz); Audit Bureau of Circulation data (March 2007) [www.abc.org.nz](http://www.abc.org.nz)

### 11.17 Magazines:

There are over 4,700 magazine titles available in New Zealand today, 700 of which are New Zealand published or New Zealand editions. Of these, 82 individual publishers supply audited circulation data to the New Zealand Audit Bureau of Circulations – the largest of these include: Australian Consolidated Press (with twelve titles), Fairfax Magazines (with 17 titles), Jones Publishing (with five titles), APN's NZ Magazines (with three titles), NZ Rural Press (with six titles), and Pacific Magazines (with three titles).

The Audit Bureau's figures (based on net circulation at 30 June 06) show the leading titles to be: *AA Directions* (541,550), *SKYwatch* (492,408), *TV Guide* (195,072), *Habitat* (172,538), *NZ Womans Day* (152,609), *Womans Weekly* (98,847), *Readers Digest NZ* (93,934), *NZ Farmers Weekly* (93,020), *Australian Womens Weekly* (85,014), *Rural News* (84,203), *NZ Agtrader* (83,047), *Littlies* (78,545), *Ingenio* (77,145), *NZ Listener* (71,508), *NZ House & Garden* (65,215), *Cuisine* (64,103), *Next* (63,747) and *New Idea* (65,440).

Magazine titles are prolific and cater for a wide range of interests with titles such as *Grocers Review*, *Motor Equipment News*, *Progressive Building*, *NZ Logger*, *Jet*, *Your Pregnancy*, *DrinksBiz*, *NZ Investor*, *PC World*, *NZ Horse & Pony*, *Investigate*, *Bowls Magazine*, *NZ Food Technology*, *NZ Rugby World*, *Jasons Business*, *NZ Geographic*, *NZ Radiator Magazine*, *Heritage NZ*, *NZ Grape Grower*, *NZ Motorholmes*, *Trade-a-boat*, *Girlfriend*, *NZ Classic Car*, *Bestbuys*, *SKYwatch*, *Building Today*, *NZ Bride and Groom*, *Pet NZ*, *TNT NZ*, *NZ Local Govt*, *Coffee Culture*, *BMW Magazine*, *Backpacker Xpress* and *MIS* to name a few.

Total spend on magazine advertising in 2006 was around \$251 million representing 11.3% of the total advertising market.

Sources: [www.abc.org.nz](http://www.abc.org.nz); [www.asa.co.nz](http://www.asa.co.nz)

#### 11.18 Out of home media:

The range of out of home advertising channels available to advertisers includes:

- (a) Billboards, sandwich boards, back-lit displays, bulletin boards, illuminated shelf-talkers, in-store television and in-store radio announcements;
- (b) Point of sale display materials and sampling, coupons;
- (c) Branded service items e.g. coasters for use in bars;
- (d) Promotional literature in-store – brochures, handout cards, leave behind pieces e.g. automobile catalogues;
- (e) Supermarket carts (some now video carts featuring store maps, recipe cards, nutritional information etc);
- (f) Event marketing;
- (g) Advertising flyers delivered ‘on the street’ e.g. in busy shopping areas, under car windscreen wipers), by the retailer (self delivery or at point of sale).

Total spend on outdoor advertising in 2006 was around \$79 million representing 3.6% of the total advertising market.

Source: [www.asa.co.nz](http://www.asa.co.nz)

#### 11.19 Unaddressed mail:

Unaddressed mail is used widely for sales promotions and customer acquisition, predominantly for retail products and fast moving consumer goods (known as FMCG’s). The market for unaddressed mail has grown due to its flexible, measurable, creative, and cost effective nature.

Unaddressed mail provides the advertiser with the flexibility to choose who they advertise to, where and when. The advertiser can have their advertising message delivered to as few as 250 households or as many as 1.4 million; all in a two day period. This provides advertisers with large or small advertising budgets with a means of conveying their message to a pre-selected group of potential customers in a short period of time.

In recent years significant developments in the use of geo-demographic tools and census data have assisted advertisers to reach niche target audiences using

unaddressed mail. By focusing on targeted areas, advertisers can reduce their “wastage” (i.e. unnecessary production and distribution costs).

Unaddressed mail also provides advertisers with an opportunity to utilise different creative concepts in order to ensure that their message is noticed over the multitudes of other advertising messages that consumers receive every day.

Consumers can also choose the time at which they review unaddressed mail and how long they want to spend reviewing it. Unaddressed mail can be put aside for other members of the household to review at a time that is convenient to them; 46% of households retain unaddressed mail for more than 12 hours and Australian research has shown that 57% of people keep unaddressed mail for future reference. Consumers can also “opt out” by using a “No Circular” sign.

Because it can be retained for future reference unaddressed mail also provides consumers with an opportunity to carry out pre-purchase price comparisons, provides them a large amount of information about products, and helps them plan their shopping time. 58% of people say they use unaddressed mail to compare prices and to shop around.

Total spend on unaddressed mail advertising in 2006 was around \$64 million representing 2.9% of the total advertising market.

Sources:

“Junk Mail, Shmunk Mail”, Research Solutions, 2005

“Unaddressed Advertising Material Research, Sweeney Research, August 2006

### 11.20 Telemarketing:

Telemarketing is the practice of communicating via the telephone for the purpose of generating business or enhancing relationships with customers or potential customers. There are around 52 telemarketing service providers in New Zealand currently. They operate under a Code of Practice and Guidelines which took effect from 15 August 2006 and set out telemarketing ‘best practice’ principles developed in conjunction with the Marketing Association and the Telecommunications Users Association of New Zealand.

There are no industry revenue figures publicly available for telemarketing.

Source: [www.marketing.org.nz](http://www.marketing.org.nz)

### 11.21 Addressed mail:

Addressed mail or direct mail is an advertising channel most commonly used by one-to-one marketers. It relies on sending permission-based promotional material addressed to customers by name. The majority of mailing lists are generated through capturing information on purchasing behaviour and/or by inviting the customer to join a mailing list. Key users of addressed mail include Government departments (e.g. for electoral role management), loyalty programmes (such as Fly Buys and AA Rewards) and companies wishing to up-sell or cross-sell other products to existing customers, for example insurance companies and banks.

Total spend on addressed mail advertising in 2006 was around \$35 million representing 1.6% of the total advertising market.

Sources: [www.asa.co.nz](http://www.asa.co.nz); New Zealand Post Mail Marketing Service

## 11.22 Cinema:

Cinema remains a popular entertainment source for many New Zealanders; around 300,000 New Zealanders visit a cinema each week. New Zealand has around 290 cinema screens. Three cinema exhibition/distribution chains account for 75% of cinema advertising. They are SKYCITY-owned Village SKYCITY Cinemas, Hoyts and Rialto.

Total spend on cinema advertising in 2006 was around \$10 million, representing 0.4% of the total advertising market.

Source: [www.asa.co.nz](http://www.asa.co.nz)

## 11.23 Interactive advertising:

### (a) The Internet:

The Internet continues its steady rise as a component of the advertising industry. Statistics New Zealand advises that broadband subscriber numbers continue to increase. The number of broadband subscribers per 100 inhabitants grew from 9.0 to 14.7 in the year ended September 2006. Sustained broadband growth helped New Zealand jump from 22nd to 19th on the OECD June 2006 ranking. The total number of Internet subscribers in New Zealand is now almost 1.4 million.

Although total annual internet advertising spend reported by the ASA for 2006 was only \$65 million, representing 2.9% of the total advertising market, only 13 internet companies submitted figures.

Internationally, internet advertising spend is growing rapidly. This is believed to be driven by high-speed broadband take-up and user-generated content (with the emergence of content portals such as YouTube and MySpace). In the UK, expenditure on Internet advertising overtook advertising in national newspapers in 2006 (GBP 1.9 billion) and was just under half the size of that for television advertising (GBP 3.9 billion). Internet advertising revenue in New Zealand is expected to follow this international trend. Figures recently released by the Communication Agencies Association of New Zealand ("CAANZ") (in December 2006) forecast spend on online advertising to grow seven times faster than advertising spend in other advertising channels.<sup>9</sup>

Sources: [www.stats.govt.nz](http://www.stats.govt.nz); [www.iab.org.nz](http://www.iab.org.nz); [www.asa.co.nz](http://www.asa.co.nz); [www.caanz.co.nz](http://www.caanz.co.nz)

### (b) Email marketing:

Permission-based email marketing has cemented its place in New Zealand media. With its very low cost (3-4 cents per message sent), immediate delivery and the opportunities to drive sales promotions online, email marketing is attracting an increasing range of advertisers.

While no industry revenue figures for email marketing are currently available, the number of operators already in New Zealand indicates a strong competitive market for email based advertising. Some key operators include: Touchpoint, Firstrate, AdSpecs, Facilitate Digital, i-start and MessageMedia.

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<sup>9</sup> CAANZ referred to ZenithOptimedia forecasts for global and internet advertising spend to grow 28.2% in 2007, against growth in advertising spend in other media of 3.9%. Moreover, ZenithOptimedia forecasts the internet's share of total advertising spend to grow to over 10%, overtaking spend on outdoor advertising by 2006 and on radio advertising by 2009.



(c) SMS/text messaging.

There are currently two key carriers of text messaging: Telecom and Vodafone. Text messaging is gaining acceptance across the advertising industry and is gaining momentum both as a complementary advertising channel (for example as a complement to billboard or television advertising) and as a stand alone advertising channel. It is a one-to-one and permission-based marketing tool, most commonly used to generate a call to action for sales promotions, competitions or surveys. As an advertising channel, text messaging is growing in popularity and is perceived as a low cost 'new media' that communicates with a largely young and mobile audience.

There are currently no published industry revenue figures for SMS/text messaging.

11.24 In addition to the mainstream newspapers, radio and magazines there are a growing number of ethnic based media channels (mostly newspapers or radio) available to advertisers that reflect the multicultural diversity of modern New Zealand society. There are 24 Chinese media channels; 6 Korean, 12 Pacific Island, 6 Fijian, 14 Indian, 5 Filipino and two African media channels. All are represented by a central media bureau called Niche Media (see <http://www.nichemedianz.co.nz>).

11.25 Advertisers and campaign planners often use a mix of different advertising channels. They may use common combinations, such as television (to drive mass awareness) plus newspaper (to drive a call to action). In recent years there has been a significant increase in television and other advertising channels directing their audience to advertisers' websites for purchasing and/or more information.

11.26 However, it remains the case that for an advertiser, there is no ideal integrated campaign mix. This gives advertisers considerable flexibility to adjust their advertising spend in response to price changes and other factors.

11.27 The media purchasing decision is explained in more detail in the following section.

*The media purchasing decision*

11.28 Advertising channels are most often selected on their ability to deliver in terms of "reach" and "frequency". Reach is the total number of the target audience that a message will reach depending on where and when it is placed. Frequency is the number of times the message will be seen by the target audience. Both are taken into account in calculating expected total media coverage.

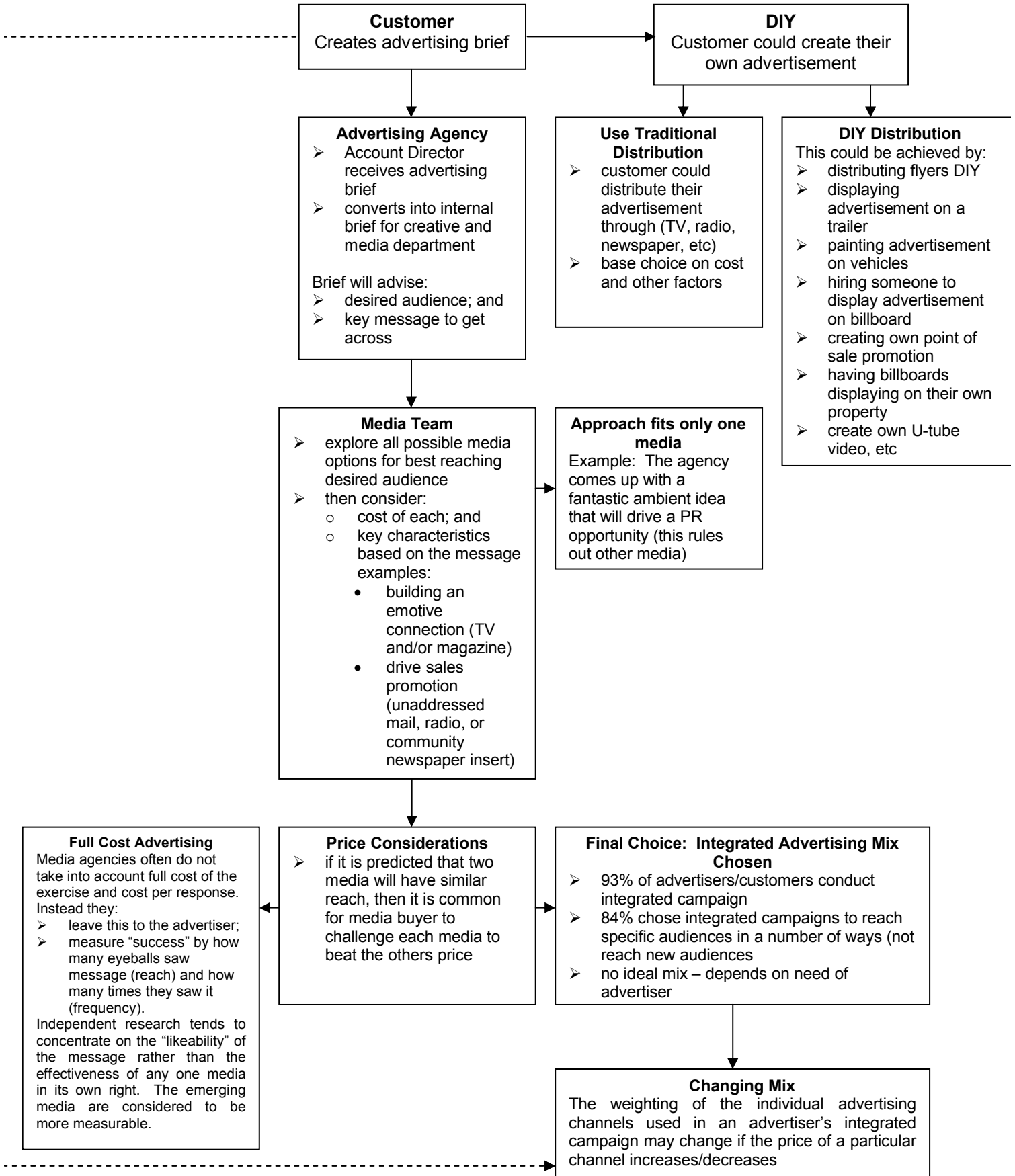
11.29 In general, the assessed advertising need will drive advertising channel selection, although advertisers are price sensitive and the cost per target audience reached will be used to determine the relative cost effectiveness of the various advertising channels. In the result, the various advertising channels are seen by advertisers and their key influencers to be both substitutes and complements.

11.30 Moreover, it is the total cost of the particular advertising channel that will be taken into account in the selection process. This is particularly significant for advertising print channels such as unaddressed mail, where printing constitutes a major proportion (up to two thirds) of total cost to the advertiser/customer.

11.31 The media planning process involves advertisers determining the most cost effective way of delivering their message to their potential customers. Individual advertisers may have different strategic objectives that influence their cost analysis. The diagram set out over the page illustrates the process followed by advertisers and their key

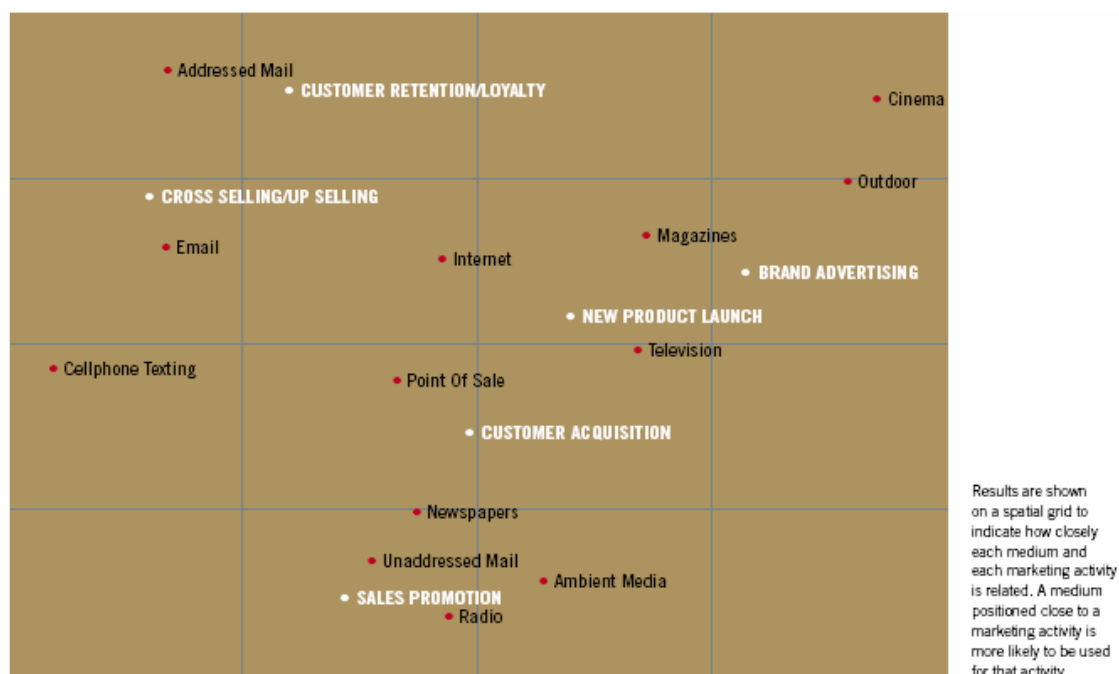
influencers when deciding on the advertising channel or mix of channels for their particular advertising campaign.

11.32 Diagram of media planning process:



### Attributes of the different advertising channels

- 11.33 While the different advertising channels all serve the same ultimate purpose of conveying a message to customers, they each have different characteristics. For this reason they are seen as having advantages and disadvantages, although different users have different perspectives on these attributes; and what is perceived by the sender is not necessarily accepted or seen in the same way by the receiver. An overview of the key characteristics of the ten common advertising channels is set out in the table at Annex 5.<sup>10</sup>
- 11.34 More specifically, advertising can be used for particular marketing objectives such as building brand awareness, driving sales, customer acquisition, cross selling or up selling additional products or services, launching new products or developing loyalty and retention to a particular brand.
- 11.35 Some advertising channels may be more suited to particular marketing objectives. However, whether or not a particular advertising channel is considered appropriate will depend on an individual advertiser's message and each individual advertiser's (or its agency's) perception of what is most appropriate to achieve their objectives. There is no perfect mix. Some generalisations can be made, as seen in the graph at Table 1 below, although, again, different parties will have different views.
- 11.36 **Table 1: Spatial grid showing the relative relationships of the main media channels to particular marketing objectives**



Source: Mediascene Topline Report (2004). Prepared for New Zealand Post by Colmar Brunton

- 11.37 The graph is taken from the Mediascene Topline Report prepared in 2004 by Colmar Brunton for New Zealand Post. In respect of this graph, respondents were asked to indicate which advertising channel or channels they had used or planned to use for a specific marketing objective in a particular marketing activity undertaken during the (then) current financial year. The results were then plotted on a spatial grid to indicate how closely each advertising channel and each marketing objective are related. The

<sup>10</sup> This table was prepared by the Applicants based on the McCann Media Handbook, a textbook used in training for media planning.

closer an advertising channel is positioned to a marketing objective, the more likely it is to be used for that activity. The further away the advertising channel is from the marketing objective, the less likely it is to be used.

- 11.38 The graph suggests that for the particular marketing objective of Sales Promotion, the advertising channels an advertiser might be likely to select from would be newspapers, unaddressed mail, radio and ambient media, whereas for a different marketing objective, say Brand Advertising or New Product Launch, an advertiser might be more likely to select from other advertising channels such as television, magazines or Internet advertising.
- 11.39 Television and radio have often been seen as better at promoting or enhancing brand loyalty, while print media have traditionally been regarded as better at providing more detailed information to customers. However, such distinctions between media types do not necessarily result in a clear delineation of advertising spend, as advertisers change their mix of advertising spend. Even firms in similar industries with similar brands will select different media channels.
- 11.40 The growing pressure on advertisers to perform, be measurable and deliver a clear return on investment is encouraging more analysis and consideration of the different advertising channels. The sheer range of options available to advertisers and their agencies is leading to even greater levels of switching between advertising channels.
- 11.41 A sample of Nielsen Media Research Adquest figures year-on-year, for the periods from October 2004 to September 2005 and October 2005 to September 2006, is set out at Annex 6 and demonstrates switching between advertising channels across every industry category. Taking some examples:
- (a) Michael Hill Jeweller Limited increased its overall advertising spend. It decreased its television advertising spend slightly (by 3%) and its magazine advertising spend significantly and significantly increased its advertising spend in radio (53%), newspaper (115%) and unaddressed mail (13%);
  - (b) Dick Smith Electronics increased its overall advertising spend. It increased its television advertising (14%), reduced radio, newspaper (by 18%) and magazine (56%) and significantly increased its unaddressed mail spend (35%);
  - (c) Number One Shoe Warehouse significantly increased its overall advertising spend. This increase was distributed unevenly across the various advertising channels, with significant increases in television (131%), radio (93%), newspaper (21%), very little magazine advertising and a significant increase in its unaddressed mail spend (123%);
  - (d) Foodstuffs slightly decreased its overall advertising spend. It reduced its spend in television (3%), magazine (39%) and unaddressed mail (8%) while maintaining its radio and newspaper advertising spend and making a significant investment in outdoor advertising (544%);
  - (e) Mitre 10 slightly decreased its overall advertising spend. It reduced its television and magazine advertising spend slightly (4% and 3% respectively), its radio advertising spend significantly (92%) and increases its advertising spend in newspaper (26%), unaddressed mail (13%) and on-line advertising (18%);
  - (f) Freedom Furniture slightly reduced its overall advertising spend. It significantly decreased both its television advertising (21%), and radio (95%), eliminated its

unaddressed mail spend and significantly increased its newspaper and magazine spend (310% and 171% respectively).

Source: Nielsen Media Research Adquest

11.42 The producers of the different advertising channels regard themselves as in competition with other media for a share of total advertising spend. For example:

- (a) TVNZ's Strategy 2007-2011 "Inspiring on every screen"<sup>11</sup> acknowledges challenges from audience fragmentation, revenue diversification, cross-media ownership and new entrants and records a number of initiatives which are intended to extend its share of total advertising spend;
- (b) the website of the Radio Bureau presents case studies demonstrating the success of radio against other advertising channels (see [www.trb.co.nz](http://www.trb.co.nz));
- (c) the website of the Newspaper Advertising Bureau has a section entitled "Why Newspapers?" comparing newspapers with other media (see [www.nabs.co.nz](http://www.nabs.co.nz)).

11.43 Industry associations are numerous in the advertising industry and exist for the purpose (among others) of promoting the strengths of their particular advertising channel to advertisers. Some of the more active industry bodies are the Newspaper Advertising Bureau, the Radio Bureau, the recently formed Interactive Media Bureau, the Magazine Publishers Association and the Outdoor Advertising Association of New Zealand. Attached at Annex 7 is a list of some of the main industry bodies, their mission statements and contact details.

11.44 This industry background serves to show the both the range of options available to advertisers and their key influencers, the diversity of views over the attributes of the different advertising channels and, generally, the degree of substitutability across the various advertising channels. The Acquisition would take place in this highly dynamic and an increasingly competitive environment. Market definition is considered against this general background in the following section.

## Market definition

### *Fairfax/Times Media*

11.45 The Commission has looked at advertising markets in a number of media mergers. These were summarised in *Fairfax/Times Media*<sup>12</sup>, where the Commission considered that unaddressed mail fell within a broader "print advertising" market. The Commission defined the relevant market as including:

- (a) advertising in community newspapers – advertising that has total market coverage via free newspapers delivered directly to households; and
- (b) advertising flyers (unaddressed or addressed):
  - (i) unaddressed advertising flyers – catalogues, circulars and flyers that are delivered directly to households; and
  - (ii) addressed mail – catalogues, circulars, and flyers that individuals receive by joining a mailing list.

<sup>11</sup> December 2006. Can be downloaded from the TVNZ website [www.tvnz.co.nz](http://www.tvnz.co.nz).

<sup>12</sup> Decision No. 561 *Fairfax New Zealand Limited/Times Media Group Limited*, Commerce Commission, 14 October 2005.

11.46 The Commission was, in that decision, considering the application by Fairfax to acquire from Times Media Group certain community newspapers referred to collectively as the Rodney Mastheads. It was essentially a merger of regional community newspapers in the Rodney region. Consequently the Commission concluded:

- (a) that metropolitan newspapers were in a separate market from community newspapers<sup>13</sup>; and
- (b) the geographic scope of the relevant market was local, ie the Rodney District.

11.47 The Commission also considered the extent to which print advertising and other advertising channels might fall within the same market. The Commission:

- (a) noted previous Commission decisions in which it had recognised that there is a degree of substitutability between print and other media advertising forms;<sup>14</sup>
- (b) noted the comments of industry participants that while advertisers do not generally switch from print media to another media completely, they instead reduce the amount they spend on print and allocate this money to another media, with some advertisers constantly changing percentages around the different media;<sup>15</sup>
- (c) found that advertisers are more likely to switch advertising spend percentages between e.g. print and radio, rather than substitute between the two completely, that the different advertising channels have different purposes and act as complements rather than substitutes<sup>16</sup>, and accordingly considered that radio advertising was not in the same market as print advertising;
- (d) nonetheless, took into account the fact that radio does provide some constraint on print advertising and that this constraint will vary from advertiser to advertiser<sup>17</sup>;
- (e) found that the internet constrains the classified advertising sections of the print advertising market, but only affects display advertising “in a minor way”<sup>18</sup>;
- (f) considered that:

“Advertisers have a substantial degree of countervailing power. Advertisers are able to express this through a variety of ways, but underlying these different negotiation tactics is the knowledge that a community newspaper is dependent on advertisers for all its revenue.”<sup>19</sup>

and found that the very large advertisers (such as the Number One Shoe Warehouse) have “a high level of countervailing power”.<sup>20</sup>

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<sup>13</sup> At paragraph 63.

<sup>14</sup> At paragraph 66, referring to *Wilson & Horton / Powerplant Productions*, Decision No 445, Commerce Commission, 7 December 2001.

<sup>15</sup> At paragraph 70.

<sup>16</sup> At paragraph 74.

<sup>17</sup> At paragraph 121.

<sup>18</sup> At paragraphs 77 and 78.

<sup>19</sup> At paragraph 137.

<sup>20</sup> At paragraph 133.

11.48 The Applicants agree with certain aspects of the Commission's reasoning in *Fairfax/Times Media*, which they say also apply in this case. They submit, however, that several features of this Acquisition differ from those in *Fairfax*, and that the Acquisition should be considered in light of the industry background outlined above. The relevant dimensions of the market are considered below.

*Product dimension*

11.49 Unaddressed mail is one of a number of forms of display advertising. Alternate forms include television, newspapers (display advertising and inserts), magazines, outdoor, addressed mail and cinema advertising. From an advertising perspective unaddressed mail sits in the 'mass media' options and would be considered for its ability to reach a large number of households for activities such as sales promotions and new customer acquisition. If particular business segments are examined, unaddressed mail would be most frequently selected in foodstuffs and fast food, and for homeware and electrical, hardware and gardening.

11.50 For further information on unaddressed mail, refer to paragraph 11.19.

11.51 On the *demand side*, advertising in metropolitan and community newspapers is a close substitute for unaddressed mail for a large number of the Applicants' key customers. Such customers include [

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11.52 These customers frequently shift advertising spend, not only between unaddressed mail and newspaper advertising, but also between various other advertising channels. Even firms in similar industries with similar brands will use different advertising channels for the same advertising objective, such as sales promotion. Examples include:

- Hannahs using TV and unaddressed mail – the Number One Shoe Warehouse using TV, display advertising and radio;
- Placemakers using TV and unaddressed mail – ITM using TV and newspaper inserts;
- Farmers using unaddressed mail, display advertising and TV – Briscoes using unaddressed mail, newspaper inserts, display advertising and TV;
- Countdown using unaddressed mail, display advertising and TV – Pak'N'Save using display advertising, radio, outdoor advertising and TV;

- [

];

- [

].

- 11.53 This is common. In the Applicants' experience, advertisers regularly switch advertising spend between the different advertising channels in response to a variety of factors which include price, speed to market, perceived reach and frequency. See the examples given at paragraph 11.41 above and Annex 6.
- 11.54 On the supply side, the metropolitan and community newspapers are, again, close substitutes for unaddressed mail. The metropolitan and community newspapers offer display and insert advertising opportunities and delivery through physical networks similar to those operated by the Applicants. Both Fairfax and APN have their own delivery networks for the daily metropolitan titles. These delivery networks cover the major metropolitan areas.
- 11.55 The newspaper delivery networks have, at times, delivered unaddressed mail for the unaddressed mail operators, and the unaddressed mail companies have, at times delivered newspapers for the newspaper operators. This substitutability on the supply side is demonstrated by the following examples:
- Until 2004, Deltarg used the *Christchurch Star* network for its delivery to the Christchurch area;
  - The *Christchurch Star* now offers its own unaddressed mail delivery service (which is separate from newspaper inserts) and is actively seeking catalogue distribution from the local market;
  - LBC and PMP deliver some community newspapers.
- 11.56 The metropolitan and community newspapers clearly regard themselves as in competition with unaddressed mail. Newspapers are promoted by their publishers as "invited in" to the letterbox. The publishers seek to label unaddressed mail as "junk mail" and distinguish their particular form of print advertising on that basis. The newspapers have also sought to use "no circular" signs to their advantage. A householder can place a "no circular" sign on their letterbox to indicate that they do not wish to receive unaddressed mail. They will still receive subscription newspapers (including inserts). The newspaper publishers have also been active in lobbying local councils to ensure that community newspapers (and insert advertising through those channels), which are free, are not treated as "circulars" for the purposes of any by-laws prohibiting the delivery of unaddressed mail to houses with "no circular" signs.
- 11.57 Examples include the following:
- in around 2000 or 2001, the *Waikato Times* delivered a "no junk mail" sticker to be placed on subscribers' letterboxes;
  - in around 2003, the *Sunday Star Times* delivered a similar sticker to subscribers in the Christchurch area;
  - in 2005, the Newspaper Publishers Association made submissions to the North Shore City Council intended to ensure that (free) community newspapers were not treated as "circulars" for the purposes of the Council's by-laws in relation to "no circular" signs.
- 11.58 As noted above in relation to demand-side considerations, many advertisers want national coverage. On the supply-side, national coverage in the metropolitan and community newspapers is possible with packages offered by each of Fairfax and APN as well as through the NAB:



- (a) Fairfax's New Zealand Community Network ("NZCN") is a booking and placement service providing coverage in a range of community newspapers throughout New Zealand. Through the NZCN, advertisers can obtain volume discounts across community newspapers, depending upon the number of insertions and papers booked. Advertisers can pick any combination from Fairfax's 65 publications currently or choose national coverage. Group buys are also available on a regional basis for the Auckland, Wellington, Northland, Waikato, Bay of Plenty, Manawatu and Southland regions (see [www.fairfax.co.nz](http://www.fairfax.co.nz));
- (b) APN offers regional (northern, central, southern, and any combination of those regions) packages which group together its strongest daily newspapers. It is also a commercial printer and can easily switch production between the different print forms (unaddressed mail, inserts and display advertising);
- (c) The NAB promotes two national packages, MetPak and Regional MAX:
- (i) MetPak is the umbrella name for a range of packages offered collectively by the four Metropolitan newspapers, *The New Zealand Herald*, *The Dominion Post*, *The Press* and the *Otago Daily Times*. The NAB says of MetPak:

"These papers combined deliver maximum reach across the four main Metropolitan areas in New Zealand: Auckland, Wellington, Christchurch and Dunedin. They also provide coverage of the surrounding provincial areas.

#### **THE POWER OF METPAK**

*Here are a few facts for anyone contemplating advertising in the four MetPak newspapers:*

- The four daily newspapers comprising MetPak can build reach faster than any other median.
- 1,100,000 New Zealanders aged 15+ read a MetPak paper on a typical day.
- These readers spend 42 minutes on average reading their weekday issues; and 62 minutes reading the Saturday issue.
- 71% of readers aged 15+ living in the Metropolitan areas decide where to buy a product or service, as a result of seeing advertising in their daily newspaper."

- (ii) Regional MAX is the umbrella brand for a range of packages offered collectively by the 18 Regional MAX newspapers, *The Northern Advocate*, *Waikato Times*, *Bay of Plenty Times*, *The Daily Post*, *The Gisborne Herald*, *The Daily News*, *Hawkes Bay Today*, *Wanganui Chronicle*, *Manawatu Evening Standard*, *Horowhenua-Kapiti Chronicle*, *Wairarapa Times-Age*, *The Nelson Mail*, *The Marlborough Express*, *Greymouth Evening Star*, *Ashburton Guardian*, *The Timaru Herald*, *The Oamaru Mail* and *The Southland Times*. The NAB says of Regional MAX:

#### **"REGIONAL MAX - BENEFITS OF:**

- The two Regional MAX Paks offer advertisers a more cost effective way to reach their regional audience, whether it is based on geography or frequency.

- 633,000 people 15+ read a copy of a Regional MAX newspaper on an average day.
- Regional MAX Pak offers cost savings on rates and colour when compared with standard rates for the Regional MAX newspapers.
- In addition: a Frequency MAX buy with two insertions over a 12 day publishing period delivers a minimum average cost saving of 10% over the schedule. If further insertions are added within the Frequency MAX by, the savings increase.
- Mix'N'Max with one insertion per newspaper, delivers a range of discounts – 0-15% - dependent on the number of issues utilised.”

source: [www.nab.co.nz](http://www.nab.co.nz).

- (iii) the Applicants understand that it is also possible to co-ordinate insert advertising on a national basis through the NAB.

11.59 The Applicants note the Commission’s findings in *Fairfax/Times Media* at paragraphs 59 and following:

- “59. The majority of advertisers the Commission spoke to considered that advertising flyers (unaddressed or addressed) were a direct substitute for advertising in community newspapers. Advertising agency FCB Limited stated advertising flyers and community newspapers achieve the same purpose of reaching every household within a geographical area, usually referred to as total market coverage. Industry participants stated that if there is a 5-10% increase in the price of advertising in a community newspaper, then advertisers would switch to using advertising flyers as a substitute.
61. The Commission acknowledges that community newspapers and advertising flyers have some distinct advantages and disadvantages. However, the Commission considers that advertising flyers are sufficiently close substitutes for enough advertisers to be considered part of the same market.
64. On the supply side, there is likely to be some substitution between the different print publications types, like community newspapers, directories and advertising flyers and catalogues. A publisher would already possess staff, printing premises and machinery.
65. While publications may differ in colour and/or paper quality, it is likely a supplier of one type of publication could easily switch to another quickly and easily at little cost.”

11.60 The Applicants agree with these statements and submit that it applies equally strongly in respect of the metropolitan newspapers and unaddressed mail.

11.61 The Applicants note that the Commission included addressed mail in its market definition in *Fairfax/Times Media*. The Applicants agree that there is a degree of substitutability, although they consider addressed mail more closely aligned with the ‘one-to-one’ advertising channels than the mass media options and, as such, closer to the Internet, email marketing, SMS/texting and interactive/digital television than to unaddressed mail.<sup>21</sup> For that reason they do not include addressed mail in their proposed market definition.

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<sup>21</sup> They refer, for example, to the spatial grid at Table 1 above.

*Functional level*

- 11.62 The core business activities of the Applicants are customer targeting for unaddressed mail, delivery of unaddressed mail and reporting.
- 11.63 Arguably, the Acquisition takes place at a different functional level from that in *Fairfax/Times Media*, being that of distribution/delivery rather than that of publishing.
- 11.64 The Applicants are not printers (although PMP, APN and Fairfax are) and they do not participate in the news and information space (although PMP, APN and Fairfax do). However, from both a demand-side and a supply-side perspective, newspapers and unaddressed mail are (like many other options) simply channels for distribution of advertising messages.

*Geographic scope*

- 11.65 On the demand side, as noted above, many of the Applicants' key customers want major metropolitan, multi-city or national (including rural) coverage.
- 11.66 On the supply side, the Applicants operate nationally and offer customers national as well as regional/local coverage. PMP also offers a national service. While newspaper titles are principally delivered region by region, national coverage in the metropolitan and community newspapers (both display advertising and inserts) is offered.

**Market definition summary**

- 11.67 For the reasons outlined in detail in the industry background, the Applicants consider that the market could be defined as broadly as an advertising market. They note that unaddressed mail is one of many advertising channels available to advertisers who frequently switch their advertising spend between the different advertising channels.
- 11.68 The Applicants acknowledge that the Commission is likely to take the view that a narrower market definition would better highlight the competitive impact of the proposed Acquisition.
- 11.69 For the reasons outlined above, the Applicants consider that the appropriate market definition is a national market for print advertising which includes:
- (a) unaddressed mail; and
  - (b) advertising through metropolitan and community newspapers (display advertising and inserts).
- 11.70 Such an approach would appear consistent with the Commission's analysis of advertising markets to date.
- 11.71 Even on the narrowest possible market definition (a national market for the delivery of unaddressed mail and related services), and viewing the Acquisition as a three-to-two merger, the Applicants do not consider that the Acquisition raises competition issues as JV Co would face significant constraints from:
- the level and extent of competition from substitutable media;
  - the strength of competition from the other major provider of unaddressed mail delivery services, PMP; and
  - the degree of countervailing power held by advertisers and their agents.

- 11.72 These constraints are such that prices will continue to be under significant pressure, meaning that it is likely that customers will share in the efficiency gains resulting from the Acquisition.
- 11.73 The Applicants are therefore content for the narrower market definition to be adopted if the Commission considers this appropriate, provided that all relevant constraints from both inside and outside the relevant market are taken into account and given appropriate weight in accordance with the approach confirmed by the High Court in *Brambles*<sup>22</sup>:

“[137] It is important to recognise that market definition is a tool for competition analysis rather than an end in itself. A decision to define the market by reference to crates only can provide an appropriate basis for analysis of the competition issues which need to be decided, but defining the market in that way should not lead to any under-estimation of the potential substitutability and level of constraint on market participants in that narrowly defined market, from cardboard packaging both pre-merger and post-merger. While counsel for the appellant urged us to adopt a broader market definition, including cardboard, he acknowledged the real issue was the degree to which cardboard was recognised as a constraint, whether it was included within the product market or not. We think that was a realistic assessment.”

### Differentiated product markets

12. Please indicate whether the products in each market identified in question 11 are standardised (buyers make their purchases largely on the basis of price) or differentiated (buyers make their purchases largely on the basis of product characteristics as well as price).

12.1 There is some level of differentiation.

13. For differentiated product markets:

- Please indicate the principal characteristics of products that cause them to be differentiated one from another.
- To what extent does product differentiation lead firms to tailor and market their products to particular buyer groups or market niches?
- Of the various products in the market, which are close substitutes for the products of the proposed combined entity? – which are more distant substitutes?
- Given the level of product differentiation, to what extent do you consider that the merged entity would be constrained in its actions by the presence of other suppliers in the market(s) affected?

13.1 The core service, delivery of unaddressed mail, is largely undifferentiated. However, the unaddressed mail companies distinguish themselves from each other on the basis of:

- (a) customer targeting. The companies offer the ability to target specific customer groups. This is a particular strength of PMP. Its “Mosaic” brand is acknowledged to be the market leader. Mosaic is a geo-demographic profiling tool that uses census and other data to allocate a profile type to every

<sup>22</sup> *Brambles New Zealand Limited v Commerce Commission* (2003) 10 TCLR 868

neighbourhood in New Zealand. It provides a picture of those consumers' preferences. Deltarg is also strong in this area. LBC recently invested in a customised solution and offers some customer targeting;

- (b) delivery reliability. LBC has historically promoted its postie delivery channel, in particular, as supported by New Zealand Post and highly reliable;
  - (c) reporting. Deltarg's service includes positive reporting back to customers that delivery has been made successfully;
  - (d) an integrated print service. PMP offers printing of unaddressed mail catalogues as well as customer targeting and delivery. Neither LBC nor Deltarg offer a print capability; and
  - (e) price.
- 13.2 In terms of customers, LBC traditionally has had a much larger number of smaller customers, whereas Deltarg and PMP have actively targeted the very large retailers.
- 13.3 Newspaper publishers attempt to differentiate their products from others, in particular, from unaddressed mail, on the basis that it is "invited in" to the letterbox and therefore not affected by "no circular" signs.
- 13.4 The advertising market is fragmented and highly differentiated.

### Vertical integration

14. Will the proposal result in vertical integration between firms involved at different functional levels?

- 14.1 Some vertical integration will occur as a result of the Acquisition with the migration of LBC and Deltarg volumes into JV Co. This is because New Zealand Post will provide the following services to JV Co post-acquisition:
- (a) Postie delivery of unaddressed mail to residential addresses and/or business premises;
  - (b) delivery of unaddressed mail to rural homes; and
  - (c) delivery of unaddressed mail to PO Box and Private Bags.
- 14.2 Post-acquisition, New Zealand Post will offer these services to PMP and any other competitors of JV Co on substantially the same terms and conditions, including as to price, as are offered to JV Co. Product lodged directly with New Zealand Post for delivery through these channels will be required to meet sorting, processing and lodgement criteria. Alternatively, product will be able to be lodged with JV Co and JV Co will continue to offer the processing and sorting services that are currently offered by LBC.
- 14.3 There will not be vertical integration at any other level as a result of the Acquisition. In particular, neither LBC<sup>23</sup> nor Deltarg is a printer or a publisher (unlike PMP, APN and Fairfax). Salmat offers a print solution called Print on Demand ("POD") which is capable of accommodating pre-press, digital colour printing colour offset printing, plan

<sup>23</sup> CommArts, a New Zealand Post subsidiary, does provide printing services but does not have the technology or scale to carry out printing for major unaddressed mail customers.

printing and finishing and binding. It does not offer that solution in New Zealand. JV Co will continue to focus on best practices delivery, customer targeting and reporting.

15. In respect of each market identified in questions 11 and/or 14 identify briefly:
- all proposed acquisitions of assets of a business or shares involving either participant (or any interconnected body corporate thereof) notified to the Commission in the last three years and, in each case:
    - the outcome of the notification (e.g. cleared, authorised, declined, withdrawn)
    - whether the proposed acquisition has occurred.
  - any other acquisition of assets of a business or shares which either participant (or any interconnected body corporate) has undertaken in the last three years.

15.1 There have been no proposed acquisitions notified to the Commission in the last three years by any of the participants (or any of their interconnected bodies corporate).

15.2 The New Zealand Post Group made the following acquisitions in the last 3 years:

- (a) New Zealand Post acquired the remaining 50% of the shares in Books & More from WH Smith in 2004, subsequently selling Books & More to the Paper Plus Franchise in 2005;
- (b) NZP Australia Pty Limited acquired a 75% shareholding in Outsource Australia Pty Limited ("OSA") in 2004. That shareholding was transferred to Datamail Limited ("Datamail") in late 2006. Datamail acquired the remaining 25% shareholding in OSA on 2 July 2007;
- (c) Datamail acquired certain assets from the Moore Gallagher Group of companies in 2005;
- (d) Datamail acquired 100% of the shares in Outsource Solutions Limited in September 2006;
- (e) ECL acquired certain assets of Roadstar Transport Limited and Richardson Transport Limited on 1 July 2007;
- (f) Kiwibank Limited ("Kiwibank") acquired a 51% shareholding in The New Zealand Home Loan Company Limited in 2006; and
- (g) Kiwibank acquired a portfolio of home loans from The Hongkong and Shanghai Banking Corporation Limited in 2007.

15.3 Salmat made the following acquisitions in Australia in the last 3 years through Pardrive No 2 Pty Limited ("Pardrive"):

- (a) Pardrive acquired the assets of Queensland Pamphlet Distributors (John Albert Cairns) in June 2004;
- (b) Pardrive acquired the assets of Shirco Letterbox Distribution (Stephen Paul Douglas) in June 2004; and
- (c) In August 2004 Pardrive acquired the assets of AyJay Promotions (Aust) Pty Limited;

- 15.4 Salmat made the following acquisitions in Australia in the past 3 years through Letterbox Distribution Network Pty Limited (“LDN”):
- (a) In January 2005 LDN acquired the assets of Advance Distribution Service (Newcastle Delivery Network Pty Limited);
  - (b) LDN acquired the assets of CDS Distributors (Frank & May Kendall) in July 2005;
  - (c) Also in July 2005 LDN acquired the assets of Moggy Pty Limited (Leaflet Distribution Services);
  - (d) In September 2005 it acquired the assets in Associated Advertising Distributors Pty Limited;
  - (e) It acquired the assets of Janhope Pty Limited (A1 Distribution/Goldcoast Distribution) in April 2006;
  - (f) In November 2006 CDN acquired the assets of Willandon Pty Limited; and
  - (g) In March 2007 it acquired the assets of Pamphlet Post (Phillip Scott Midson).
- 15.5 In July 2007, Salmat announced that it has entered into a Scheme Implementation Agreement with HPAL Limited (“HPA”) to acquire all the shares of HPA. The sales process is ongoing at the time of filing this application.

## PARTS III, IV AND V: CONSTRAINTS ON MARKET POWER BY EXISTING AND POTENTIAL COMPETITION AND OTHER POTENTIAL CONSTRAINTS

### 16. Existing competitors

16.1 The Applicants' submit that the following factors are strong constraints pre-merger and would be strong constraints on JV Co post merger, whether the Commission considers them to be within or outside its chosen market definition:

- (a) existing competition from PMP;
- (b) for national coverage, advertising in metropolitan and/or community newspapers;
- (c) for regional/local coverage, advertising in community newspapers;
- (d) radio advertising and the ambient media;
- (e) other advertising channels; and
- (f) the ability of advertisers/customers to switch or to adjust their "mix" of advertising spend.

16.2 In the following section, the Applicants provide information regarding the existing competitors in the national print advertising market:

- (a) PMP;
- (b) smaller regional/local unaddressed mail operators;
- (c) Fairfax and APN.

#### **PMP**

16.3 PMP's unaddressed mail activities in New Zealand are co-ordinated by PMP Distribution Limited.

16.4 PMP Distribution Limited is a wholly-owned subsidiary of PMP (NZ) Limited which is, in turn, a subsidiary of ASX-listed PMP Limited.

16.5 PMP Distribution "specialises in providing effective letterbox distribution solutions nationwide" and delivers over 550 million items of advertising material to 1.4 million households in New Zealand annually. Its targeted marketing brand "Mosaic" is the market leader. PMP claims:

- 35 years of experience
- NZ's longest established delivery network
- 7,000 deliverers
- 200 dedicated Area Supervisors
- deliver to 1.4 million NZ homes



- delivery areas managed by sophisticated Geographical Information Systems
- combined sales revenue of \$1.3 billion in New Zealand and Australia.
- that it prints over 350 million retail catalogues and 55 periodical titles in New Zealand

Source: [www.pmp.co.nz](http://www.pmp.co.nz)

16.6 PMP Limited describes itself as:

“Australasia’s leading integrated provider of printed communication solutions and consumer insight. An ASX Top 200 listed company with over 3,000 people in locations across Australia and New Zealand – we specialise in the areas of data-driven market and customer analytics, marketing advisory services, creative and photographic services, digital pre-press, magazine, catalogue, directory, corporate and book printing, and letterbox and magazine distribution through our Pacific Micromarketing, PMP Micromarketing, PMP Digital, PMP Print, PMP Distribution, Gordon & Gotch and Griffin Press companies.

PMP is Australasia’s largest commercial printer – producing over 3.1 billion catalogues, 32 million books, 42 million directories and 79 magazine titles each year. We are also Australasia’s largest letterbox distributor – delivering twice weekly to over 6.4 million letterboxes across Australia and New Zealand.”

Source: [www.pmplimited.com](http://www.pmplimited.com)

16.7 PMP Limited is one of the two major providers of unaddressed mail in Australia, the other being Salmat. The two compete aggressively.

16.8 For further information see [www.pmp.co.nz](http://www.pmp.co.nz) and [www.pmplimited.com](http://www.pmplimited.com).

16.9 PMP offers a range of services, including:

- (a) micromarketing, through PMP Micromarketing;
- (b) digital premedia, photography and creative design, through PMP Maxum;
- (c) printing, through PMP Print;
- (d) letterbox distribution, through PMP Distribution;
- (e) addressed mail delivery services, through PMP Mail;
- (f) magazine marketing and distribution, through Gordon & Gotch; and
- (g) magazine subscription management through Mercury Subscriptions ([www.mercurysubs.co.nz](http://www.mercurysubs.co.nz) and [www.magazzino.co.nz](http://www.magazzino.co.nz)) and PMP Maxum ([www.maxum.co.nz](http://www.maxum.co.nz)).

16.10 PMP’s print capability is highly significant in the present context. PMP Print is the largest heatset web printer in Australasia, with plants in New Zealand at Auckland, Warkworth and Christchurch. PMP says that:

“This unique multi-site facility allows national retailers the ability to print their catalogues in both [the North and South] islands simultaneously. This provides the obvious benefits of freight savings and faster speed to market.

With a large press fleet at both sites operating 24/7 PMP have the ability to produce most products from glossy magazines to retail catalogues, fliers or collateral for leading publishers, retailers and corporates. Our capacity and resources mean we can handle large volumes and provide contingency planning for each plant should it be required.

Across New Zealand and Australia, we annually produce:

- 3.6 billion catalogues for 591 retailers
- 167 periodical magazine titles
- 27.8 million directories
- 26.7 books, 3,985 titles”.

Source: [www.pmp.co.nz](http://www.pmp.co.nz)

16.11 This print capability is significant because:

- (a) unaddressed mail flyers and catalogues are produced on web printers. These are large and expensive items of equipment. An average-size commercial web printer would have footprint about the size of a small house and cost approximately \$10 million;
- (b) there are currently only three companies with commercial web printers in New Zealand. They are:
  - (i) PMP;
  - (ii) APN; and
  - (iii) Webstar;
- (c) print costs are up to two-thirds of the cost of unaddressed mail to the advertiser/customer. Delivery costs account for the other third. The Applicant’s estimate that around 95% of unaddressed mail is produced by one or other of these print companies;
- (d) PMP is therefore able to offer advertisers/customers a combined print and distribution service. LBC and Deltarg do not offer this.

16.12 Vertical integration into printing and publishing provides PMP with a point of difference and a significant competitive advantage over the specialised unaddressed mail companies. Vertical integration allows PMP to offer customers a one-stop-shop for their print advertising requirements, from design and printing/publishing through to delivery and campaign analysis.

16.13 Through vertical integration, PMP has the option of competing vigorously for printing/publishing work in order to secure delivery volumes and/or competing vigorously for delivery services in order to win printing/publishing business. The Applicants understand from their customers that PMP is making increasing use of bundled print/delivery services, with a discount or a rebate offered to customers using both services. [

]. As printing is a major proportion (up to two thirds) of the total cost of unaddressed mail to the advertiser/customer, this is a significant incentive for customers to also place their

delivery with PMP. The Applicants believe that PMP frequently reduces margins on its delivery services in order to increase demand for its print services.

- 16.14 Most customer contracts are for terms of 12 months, with 24 months being the maximum. Customers are increasingly using tender processes to select their preferred provider. The major retailers [ ] tend to run tender processes to select their unaddressed mail providers. These customers are highly significant in revenue terms. This is happening at both the national and regional/local level. Smaller and medium-sized customers are less likely to go to RFP but will negotiate to obtain discounts off list prices.
- 16.15 Further, many of these customers operate on both sides of the Tasman – often with more significant operations in Australia than in New Zealand. That opens up the possibility for PMP to price its New Zealand services with a view to securing the potentially more lucrative Australian side of the customer’s business as well. The Applicants consider that this dynamic has been a feature of the New Zealand market and has served to keep prices low. This can be expected to continue post Acquisition.
- 16.16 Both LBC and Deltarg have won business from and/or lost customers to PMP:
- (a) [ ];
  - (b) [ ];
  - (c) [ ];
  - (d) [ ];
  - (e) [ ];
  - (f) [ ];
  - (g) [ ];
  - (h) [ ];
  - (i) [ ]-
- 16.17 The Applicants know of no obvious constraints on the ability of PMP Distribution to expand. It could expand in response to any attempt by JV Co to raise prices or reduce output or quality. PMP has an established delivery network. Expansion can be achieved in one of several ways:
- (a) Additional unaddressed mail items can very easily be added into existing delivery windows for greater delivery “density”. A “delivery window” is a particular day or time slot<sup>24</sup> during which delivery services are available for customers to purchase. Delivery “density” refers to a number of items of unaddressed mail delivered to a single letterbox in one “drop” within a delivery window. Greater density reduces the average unit cost for each item;

<sup>24</sup> e.g. Tuesday/Wednesday, with delivery across the two days.

- (b) Contracting additional distributors/runners; or
- (c) Potentially, opening additional delivery windows. The Applicants note that there are fixed costs associated with opening a new delivery window and an unaddressed mail company would be more likely to increase density within existing windows, which is relatively easy and cost effective to achieve, than to open additional delivery windows. Nevertheless, over the two year timeframe which the Commission typically adopts, all delivery network costs, including those associated with delivery windows, are variable.

16.18 The Applicants also note that the average number of items delivered per drop in New Zealand is less than in Australia currently and significantly less than in Europe. This suggests there is considerable scope for expansion through increasing delivery density.

### **Smaller regional/local operators**

16.19 There are apparently a number of smaller regional/local operators offering unaddressed mail delivery services. The Applicants know very little about these smaller operators and they are not regarded as competitors for national or significant regional business customers. However, it would seem logical that those existing players would offer smaller customers a further alternative at the regional/local level and they may be candidates for expansion.

### **Fairfax and APN**

16.20 Newspapers have consistently enjoyed the largest share of total advertising spend. The ASA's turnover figures for 2006 show total annual spend on newspaper advertising of around \$810 million, or 36.4% of the total advertising market. Total annual spend for unaddressed mail for the same period was around \$64 million, or 2.9% of the total advertising market.

16.21 The newspapers, in particular, have suffered a significant loss of classified advertising revenue to online alternatives. In order to stem this loss, both Fairfax and APN have invested in online platforms such as Trademe (Fairfax), Finda and Search4 (APN). They also continue to invest in development of their display and premium space advertising, through the introduction of full colour advertising space throughout the newspaper, newsmagazine-style inserts (such as Canvas magazine, Viva and Time Out, which have opened up significant new advertising real estate), and new technologies to increase the impact of advertising, such as machining 3M stickers ("post-it" notes) to the front page. "Wraps" are another initiative, which protect the newspaper from the weather, assist in retaining inserts and arguably give newspapers more of a magazine-style "look and feel".

16.22 Fairfax and APN are large organisations. Both have established delivery networks. Both have substantial cross-media investments.

16.23 The newspapers compete strongly with unaddressed mail. They try to distinguish their product as "invited in" to the letterbox and therefore unaffected by "no circular" signs. While the daily newspapers are delivered to subscribers, the free local and community newspapers are delivered to all homes in an area, achieving total coverage.

16.24 In addition, APN is one of the three major web printers in New Zealand and, like PMP, is able to offer advertisers an end-to-end print and delivery service.

16.25 [ ].

16.26 [ ]

].<sup>25 26 27</sup>

### Estimated market shares – national print advertising

16.27 The Applicants' estimates of market shares in the national print advertising market are set out in Table 2 below.

16.28 The Applicants note that:

- (a) data presented is for the 12 months to June 2007 (and the revenue figure therefore differs from the ASA's industry data (for the 12 months to December 2006));
- (b) the table shows the split in LBC's volumes between the SUN, postie, rural and PO Box/Private Bag channels. The arrows under "Rural" and "Box/Bag" indicate the volumes which Deltarg and PMP have historically put through LBC in the rural and PO Box/Private Bag channels;
- (c) the ASA's "Newspapers" figure includes revenue from display, retail<sup>28</sup>, classified and insert advertising. There is, however, no publicly available information on the breakdown. The ASA's figures are sourced from the member newspapers of the Newspaper Publishers Association of New Zealand and the Community Newspapers Association of New Zealand;
- (d) the Applicants have conservatively estimated that insert advertising accounts for approximately [ ] of total newspaper advertising by value<sup>29</sup>. They further estimate that display advertising accounts for approximately [ ] of the total and that classified advertising makes up the balance (approximately [ ]);

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<sup>25</sup> [ ].

<sup>26</sup> [ ].

<sup>27</sup> [ ].

<sup>28</sup> The Applicants understand that the distinction between "display" and "retail" newspaper advertising is one drawn by the newspapers primarily for pricing purposes. The Applicant's understand that "retail" advertising space refers to space purchased directly by advertisers (historically, by retailers) and generally has a lower price. It could be either display advertising space or newspaper insert advertising. In published ASA figures reviewed by the Applicants, there is no distinction between retailer specific advertising or brand or services advertising. Neilson Adquest information does provide category based revenue by media. However the Applicants understand that these figures are based on rate cards and do not accurately reflect actual price paid.

<sup>29</sup> Volume by number of inserts is very difficult for the Applicants to estimate.

- (e) on this basis, they have assumed that of the ASA total “Newspapers” advertising spend of \$810 million, approximately [ ] would relate to “print advertising” - display advertising and newspaper inserts. The revenue figure adopted in the table below is [ ] of total “Newspapers” advertising spend, or [ ];
- (f) while it is possible to compare revenues within the market, it is not possible to compare volumes. This is because it is not possible for the Applicants to provide an accurate figure for the number of newspaper inserts produced annually by the newspaper publishers. Moreover, it is not possible to provide a comparable volume figure for display advertising, which is purchased by column centimetres.

**[Table 2: market shares – national market for print advertising**

	Total Volume	%	Urban	Postie	Rural	Box/Bag	\$ revenue	%
LBC								
Deltarg								
JV Co								
PMP								
Unaddressed Mail only								
Other: Newspapers – display and insert advertising								

**Source: parties’ estimates. ASA industry turnover statistics.]**

16.29 On the basis of market shares in print advertising by share of revenue, the Acquisition would be within the Commission’s safe harbours. In any event, the Applicants do not consider that the market definition is determinative as they submit that even on the narrowest possible market definition the Acquisition does not raise competition issues.

### Conditions of expansion

16.30 There are few constraints on the ability of PMP or the metropolitan and community newspapers to expand:

- (a) delivery density can be improved by increasing the number of unaddressed mail items delivered in one drop;
- (b) capacity can be increased by increasing the number of deliverers or, potentially, by opening a new delivery window or windows;
- (c) additional newspaper inserts can be added very easily. “Wraps” assist this;
- (d) the newspapers have a number of other ways of increasing available advertising space (and have been actively doing so).

16.31 The Applicants are not aware of any constraints on the ability of PMP, Fairfax, APN or the owners of the other metropolitan and/or community newspapers to expand.

### **Coordinated market power**

16.32 Coordinated market power is simply not an option in relation to unaddressed mail delivery for a range of reasons previously acknowledged by the Commission and discussed elsewhere in this application. Among other things:

- (a) there are strong constraints from within the market – in particular from PMP and the metropolitan and community newspapers ('run of paper' or display advertising and newspaper inserts);
- (b) customers can, and do, change their advertising mix (as noted by the Commission);
- (c) customers, especially large ones, have strong countervailing power (as the Commission has noted). The very large customers tender their business. Smaller and medium-sized customers negotiate discounts off list prices. Small customers have other options at a local/regional level and/or could self-supply delivery;
- (d) the unaddressed mail companies have no control over the cost of printing, which is up to two-thirds of the cost of this advertising channel to the advertiser/customer;
- (e) PMP and APN will continue to offer print as well as distribution services. JV Co will specialise in unaddressed mail delivery. The firms will have different incentives, making co-ordination unlikely;
- (f) prices are not transparent due to the prevalence of discounts;
- (g) JV Co is a joint venture. The JV structure makes co-ordination less likely as it requires the two owners to agree on such a strategy. They may have differing business objectives and incentives due to their other outside interests, making reaching agreement on a strategy to co-ordinate more difficult;
- (h) PMP and Salmat compete vigorously in Australia where they are the two main players in the distribution of unaddressed mail;
- (i) there are very strong constraints from outside the market, such as that from the other mass media advertising channels (radio, out of home, television, magazines, cinema) and from the emerging media (internet, email and SMS/text messaging).

16.33 The Applicants do not consider that the relevant market is susceptible to collusion due to the fragmented nature of the advertising market, the range of other advertising options available, and elastic demand due to the ability of advertisers/customers to change their advertising mix.

17. Potential competition
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**Conditions of entry**

- 17.1 To provide a “local” service one would need a field delivery force of distributors, a truck to distribute product, a shed or garage to store product. No examples of local entry are known, but the Applicants estimate that initial costs would be less than \$10,000 (vehicle and accommodation costs). None of these costs would be sunk.
- 17.2 The above costs assume some use of “existing assets”. A completely new entrant (i.e. with no other business/assets that they could leverage from) would have to invest in IT equipment, software, office (this could be from home), development of processes (more likely to be their own time rather than cost associated with this), legal advice for contracts/commercial arrangements. None of these would appear to constitute entry barriers.
- 17.3 To operate at a “national” level, the requirements would be as above but this would require more depots (in major towns and cities), more trucks, a national network of distributors, and a customer enquiry centre for bookings, complaints etc.
- 17.4 The cost of moving from a local to a national service would be considerably more but, in the Applicants’ view, unlikely to exceed \$1 million.

**Likelihood, Sufficiency and Timeliness of Entry**

- 17.5 The Applicants are not aware of any likely potential entrants.
- 17.6 The two major providers in Australia are Salmat and PMP, so new entry by Australian operators is unlikely.
- 17.7 That potential entry is unlikely may be symptomatic of insufficient returns in the industry.



18. Other potential constraints
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- 18.1 The Applicants have in the industry background section<sup>30</sup> explained the highly competitive environment in which the Acquisition would take place. As explained in that section:
- (a) unaddressed mail distribution is one of a vast number of competing advertising channels available to advertisers/customers;
  - (b) each advertising channel has its own strengths and weaknesses and, depending upon the particular marketing objective, advertisers and their agents may choose between substitutable and complementary channels;
  - (c) advertisers use a mix of media options, and can (and do) change their mix of advertising spend;
  - (d) all advertising channels compete against each other for a share of overall advertising spend; and
  - (e) all advertising channels are constraints on the others.
- 18.2 In the Applicants' view, unaddressed mail sits in the range of 'mass media' options and would be considered for its ability to reach a large number of households for activities such as sales promotions and new customer acquisition.
- 18.3 They consider that, as such, unaddressed mail is strongly challenged by:
- (a) newspaper advertising (display advertising and inserts), which they consider falls within the same market as unaddressed mail; and
  - (b) the other 'mass media' options, particularly radio and the ambient media as well as out of home advertising, television, magazines and cinema advertising.
- 18.4 Also, as explained, traditional competition between the mass media advertising channels is now accompanied by the growing interest in 'one-to-one' advertising, which favours advertising channels such as the Internet, email advertising, digital television and SMS/text messaging, all of which are perceived as lower cost and highly measurable. Anticipated growth for these channels outstrips those for the mass media advertising channels.
- 18.5 In the Applicants' view, these other advertising channels, and advertisers' ability to shift advertising spend to them, are constraints on their business decisions whether or not they are considered to fall inside or outside the Commission's defined market.
- 18.6 They also note that the newspaper owners, in particular, have been actively investing in the new media advertising channels in an effort to prevent further erosion of their advertising revenues.

### **Constraints on market power by the conduct of acquirers**

- 18.7 In *Fairfax/Times Media*, the Commission found that advertisers have a substantial degree of countervailing power vis-à-vis the publishers of community newspapers. The same must follow vis-à-vis the unaddressed mail providers, who are similarly reliant on revenue from advertisers.

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<sup>30</sup> Paragraphs 11.1 to 11.44 above.

- 18.8 Unlike the Pay TV operators, daily newspapers, cinemas, mobile phone companies, displays of billboards, magazine publishers, point of sale users and Internet providers, revenue from advertisers is the sole source of revenue for the unaddressed mail companies. There is no balancing of subscription / sales revenue with advertising revenue. JV Co would therefore be completely reliant on revenue from advertisers.
- 18.9 As the Commission found, advertisers are able to express this countervailing power through a variety of ways. Customers such as the supermarket chains and major retailers can switch unaddressed mail providers, choose close substitutes such as advertising in metropolitan or community newspaper inserts and/or adjust their advertising spend. Customers are not locked into long term contracts. They can and do exercise their countervailing power to negotiate discounts from published rates. The major retailers hold tender processes. For the mid-range retailers with more limited budgets, a further option is to purchase advertising space in a retail catalogue such as Best Buys, which is shared with a number of other retailers. Distribution is still through the unaddressed mail channel or newspaper inserts, but the advertising cost is less and the delivery cost is shared. None of this will change as a result of the proposal.
- 18.10 In *Fairfax/Times Media*, the Commission considered that the “very large advertisers” (such as the Number One Shoe Warehouse) had a “high level” of countervailing power. That view is clearly correct. Some of the relevant customers are noted below:
- (a) [ ];
- (b) [ ];
- (c) [ ].

A list of the Top 20 customers for JV Co is set out in confidential Annex 8, together with a list of customers which the Applicants understand currently use PMP. LBC has historically had a much larger number of smaller customers, whereas Deltarg and PMP have actively targeted the very large retailers.

- 18.11 A further feature of the advertising industry is the presence of advertising agencies who advise advertisers on media planning and campaign structuring. The agencies are key influencers of the advertisers. They are aware of the wide range of options and also have very good visibility of pricing trends. [ ].

- 18.12 Advertisers and their key influencers have a wide range of options. If JV Co tried to increase prices or reduce quality, they could:
- (a) switch to PMP;
- (b) switch to newspaper advertising;
- (c) adjust their advertising spend to other advertising channels (given the large number of options) and away from unaddressed mail.

18.13 As the Commission found *Fairfax/Times Media*, advertisers do not generally switch from print media to other media completely. Advertisers may instead reduce the amount they spend on print and allocate this money to other advertising channels. Advertisers are constantly changing percentages around the different advertising channels. Advertisers can and do adjust their media spend in response to price and other factors.

18.14 In combination, these constraints mean that JV Co will not gain unilateral market power and there should not be any concerns in relation to either co-ordinated or non-coordinated market power. Even on the narrowest possible market definition, JV Co will be constrained by the significant constraints from within and outside the market, and by customer with strong countervailing power and a range of options.

**THIS NOTICE** is given by John Allen of New Zealand Post Limited and by Philip Salter of Salmat International Pty Limited. We confirm that:

- all information specified by the Commission has been supplied; and
- all information known to the applicant(s) which is relevant to the consideration and determination of this application/notice has been supplied; and
- all information supplied is correct as at the date of this application/notice.

We undertake to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2007

Signed by:

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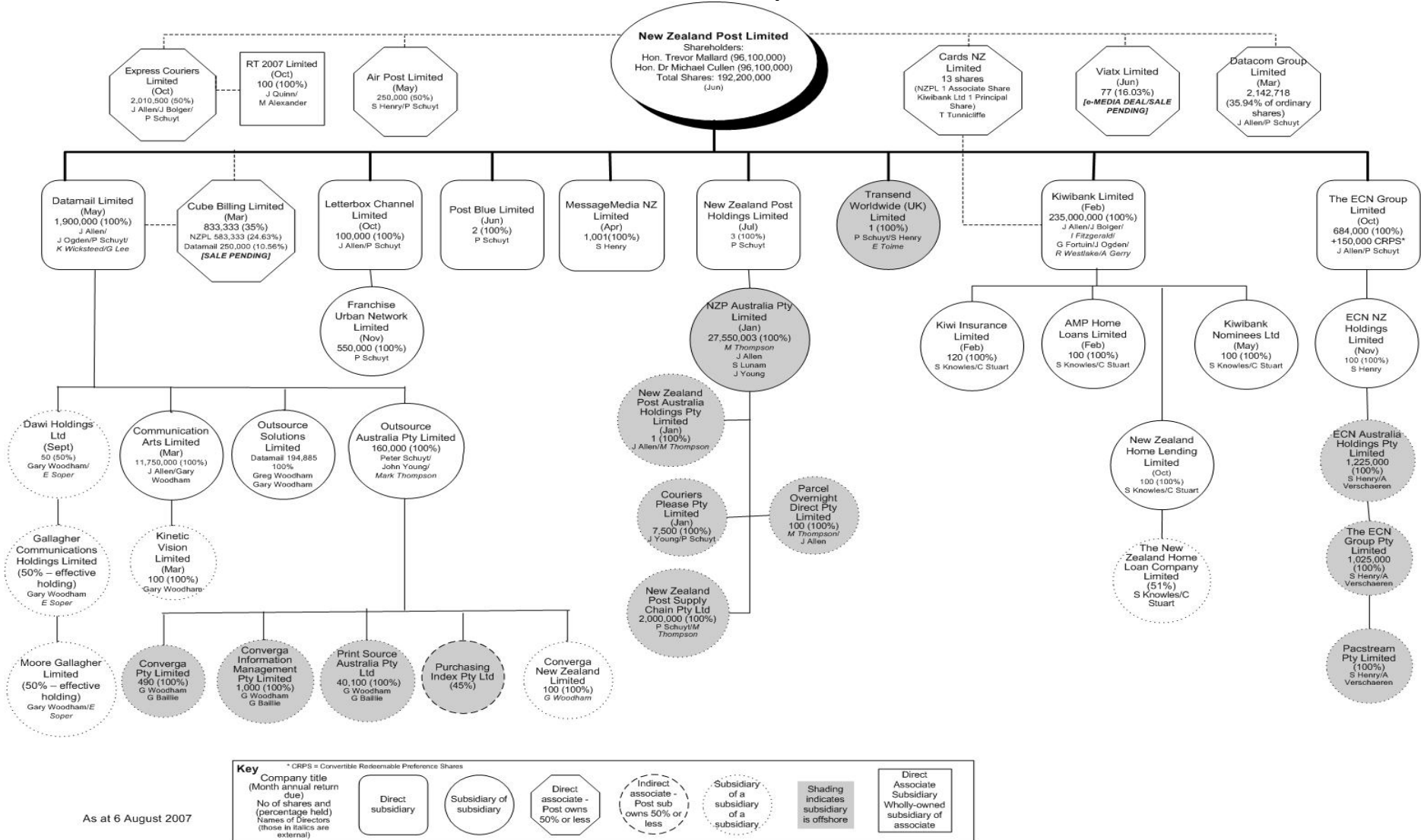
I am duly authorised to make this application  
on behalf of New Zealand Post Limited

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I am duly authorised to make this application  
on behalf of Salmat International Pty Limited

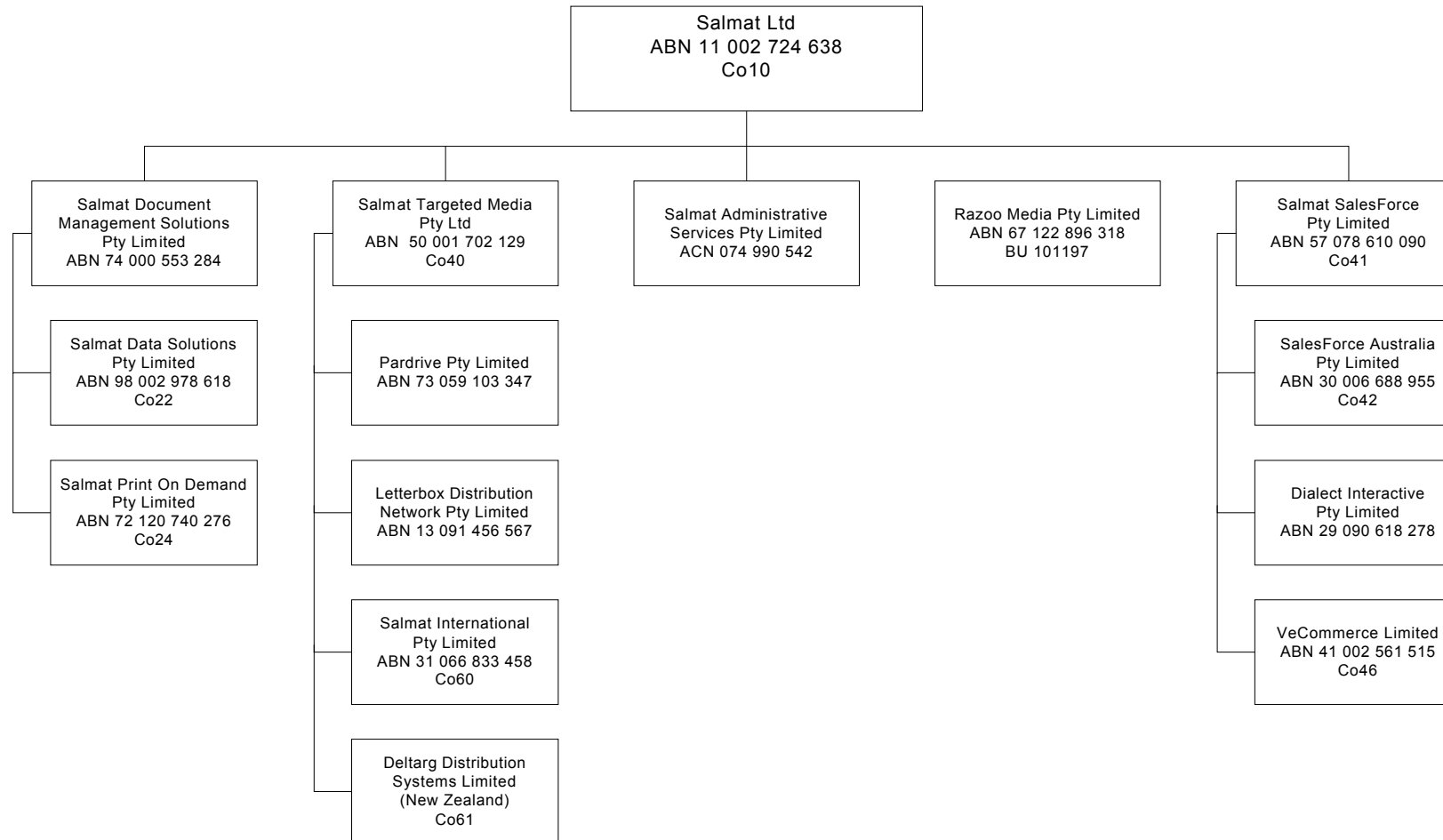
ANNEX 1

Structure of the New Zealand Post Group's activities in New Zealand



## ANNEX 2

## Structure of the Salmat Group's activities



**ANNEX 3**

**[CONFIDENTIAL]**

## ANNEX 4

## Advertising Standards Association Industry Turnover Statistics 2006

Advertising Standards Authority

## NEW ZEALAND ADVERTISING INDUSTRY TURNOVER

(Includes all cash advertising revenue, inclusive of commission when sold via agencies)

DECEMBER 2006 YEAR END

	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006	
	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%	\$ M	%
NEWSPAPERS	552	41.1	543	40.6	566	39.8	596	40.1	606	40.7	628	40.1	689	37.1	790	38.1	830	37.2	810	36.4
TELEVISION	478	35.5	473	35.4	487	34.3	501	33.7	479	32.2	516	33.0	592	31.9	643	31.0	666	29.9	641	28.8
RADIO	165	12.3	170	12.7	178	12.6	190	12.8	196	13.2	203	13.0	224	12.1	247	11.9	256	11.5	269	12.1
MAGAZINES	130	9.7	127	9.5	159	11.2	157	10.6	166	11.1	173	11.0	194	10.4	223	10.7	260	11.7	251	11.3
OUTDOOR	12	0.9	14	1.1	18	1.3	28	1.9	32	2.2	37	2.4	47	2.5	51	2.5	72	3.2	79	3.6
CINEMA	7	0.5	10	0.7	12	0.8	13	0.9	9	0.6	8	0.5	12	0.6	13	0.6	11	0.5	10	0.4
ADDRESSED MAIL													35	1.9	34	1.6	34	1.5	35	1.6
UNADDRESSED MAIL													56	3.1	59	2.8	56	2.5	64	2.9
ONLINE													8	0.4	15	0.7	44	2.0	65	2.9
<b>TOTAL</b>	<b>1344</b>	<b>100.0</b>	<b>1337</b>	<b>100.0</b>	<b>1420</b>	<b>100.0</b>	<b>1485</b>	<b>100.0</b>	<b>1488</b>	<b>100.0</b>	<b>1565</b>	<b>100.0</b>	<b>1857</b>	<b>100.0</b>	<b>2075</b>	<b>100.0</b>	<b>2229</b>	<b>100.0</b>	<b>2224</b>	<b>100.0</b>

IMPORTANT: See below for sources and notes for 2006 figures.

## NEW ZEALAND ADVERTISING INDUSTRY TURNOVER

## Explanatory notes for the year ended 31 December 2006

- Newspapers:** This figure includes cash revenue, including agency commission, excluding GST from all daily, Sunday and community newspaper titles in New Zealand. The revenue includes display, retail, classified and insert advertising. The figures are sourced from the member newspapers of the Newspaper Publishers' Association of New Zealand and the Community Newspapers Association of New Zealand.
- Television:** This figure includes cash revenue, including agency commission, excluding GST from free to air channels (including Prime) and pay television. The figures are independently collected for the New Zealand Television Broadcasters Council and are reported to the ASA as a total revenue figure. Revenue from regional TV stations is not included.
- Radio:** This figure includes cash revenue, including agency commission, excluding GST from members of the Radio Broadcasters Association (RBA). Actual returns comprised 93% of the total radio advertising revenue for 2006. The total also includes an estimate for non-RBA members, IWI and student radio based on direct industry knowledge and projections based on market share. The figure is sourced from the Radio Broadcasters Association.
- Magazines:** This figure includes cash revenue, including agency commission, excluding GST from members of the Magazine Publishers Association (MPA) and an estimate for non-member publications. It does not include revenue from classified advertising. It is estimated that MPA members represent 65% of magazine advertising revenue in New Zealand. The figure is sourced from the Magazine Publishers Association.
- Outdoor:** This figure includes cash revenue, including agency commission, excluding GST from members of the Outdoor Advertising Association of New Zealand (OAANZ). This revenue data is independently collected and audited for OAANZ. The figure also includes actual returns from five other companies involved in outdoor or ambient advertising.
- Cinema:** This figure includes cash revenue, including agency commission, excluding GST from the two major companies involved in cinema advertising in New Zealand. Please note during 2006 slide advertising in cinemas was phased out.
- Addressed Mail:** This figure is an estimate based on cost of delivery. It does not include business to business and consumer response mail. The figure has been supplied by New Zealand Post.
- Unaddressed Mail:** This figure includes cash revenue, including agency commission, excluding GST from members of the Letterbox Media Association. These members are Letterbox Channel, Deltarg and PMP Distribution. The revenue recorded is drawn from the cost of delivery. This total represents 95% of the unaddressed mail advertising revenue in New Zealand.
- Online:** This figure includes cash revenue for display and classified advertising, including agency commission, excluding GST. These figures have been sourced from 13 companies that contributed figures in the 2006 ASA survey. It is important to note that the number of returns contributing to the total online turnover figure has changed each year making year on year comparisons difficult. All companies this year have been asked to include both classified and display advertising revenue. Companies have reported total figures only, no category breakdowns are available. The Interactive Advertising Bureau is currently in the process of establishing an independently audited collection of online advertising revenue on behalf of the interactive industry and it is anticipated that this figure will be reported in the ASA survey in 2007.

## ANNEX 5

## Key characteristics of the 12 main advertising channels

Advertising channel	Key characteristics
Free-to-Air television (Ch 1, TV2, TV3, C4, Prime and MTS)	<ul style="list-style-type: none"> <li>• Strong impact through combined elements of sight, sound, motion and colour.</li> <li>• Specific day-parts and programme types can be selected in order to reach different audiences.</li> <li>• Good for reaching a wide ranging audience quickly and able to build frequency quickly e.g. placing two identical commercials in the same ad break.</li> <li>• As a mass medium, TV is less efficient than other media options as a means of reaching narrowly defined, demographic audience targets.</li> <li>• The cost of producing a TV commercial is high, relative to other media.</li> <li>• Media is purchased on CPT (Cost Per TARP – Target Audience Rating Point) per thousand audience achieved. Pricing bands differ for peak and off peak programming.</li> <li>• The first digital free-to-air channels are expected to enter the market New Zealand in the near future with the launch of the first platform – Freeview – announced in May 2007. Digital television is expected to compete in the one-to-one marketing space through offering interactive (two-way) television, which enables viewers to order products and services directly from their homes.</li> </ul>
Pay TV (SKY TV)	<ul style="list-style-type: none"> <li>• Diverse programming: sports, health, movies, music, news, foreign language, how-to shows.</li> <li>• As satellite and cable television continues to grow, broadcast network shares and ratings are expected to continue declining.</li> <li>• As with broadcast television, time can be purchased on local origination systems (where available), locally within nationally televised programmes or nationally within a programme. The same strength apply as with broadcast television except that: <ul style="list-style-type: none"> <li>• The number of homes wired for cable/satellite varies considerably from market to market.</li> <li>• The out-of-pocket costs to advertisers are lower than for broadcast television because fewer homes are reached and audiences are smaller.</li> </ul> </li> <li>• Narrowcasting (programming intended for a niche audience) makes it possible to focus on specific demographic targets.</li> <li>• Longer commercial units are available.</li> <li>• The lower overall cost makes it possible to build frequency (and some reach) against audience segments e.g. higher income adults that are relatively light free-to-air viewers.</li> <li>• Programmes are repeated more often than on free-to-air television.</li> </ul>
Radio	<ul style="list-style-type: none"> <li>• Radio time can usually be purchased nationally, regionally or locally. There are more than 300 radio stations in New Zealand currently.</li> <li>• The Radio Bureau offers a one-stop-shop on behalf of New Zealand radio stations and provides national plans that combine different local networks depending on the audience and message required.</li> <li>• The wide variety of radio station formats makes it possible to reach almost any specific demographic target.</li> <li>• Low unit cost and perceived as very cost efficient.</li> <li>• Most often used for sales promotions, new product launches or other strong call to action messages.</li> <li>• Long commercial units can be purchased locally.</li> </ul>



Advertising channel	Key characteristics
	<ul style="list-style-type: none"> <li>• Often the radio station will offer promotional/event based initiatives to help make the radio campaign more visible e.g. contests, on-location broadcasts etc; and will use the announcer to help 'spruik' a sale or promotional message, lending credibility and persuasiveness to the advertising message.</li> <li>• Expensive to build reach because of the high degree of audience segmentation. People tend to be loyal listeners to only a few radio stations. Therefore, time may have to be purchased on many stations in order to achieve the desired reach.</li> <li>• People are usually engaged in some other activity while the radio is on and/or are not actively concentrating, hence radio is often called a "passive" or "background" medium.</li> <li>• Because the medium is audio only, it is difficult to convey a demonstration or a visual concept.</li> </ul>
Newspapers (including newspaper inserts)	<ul style="list-style-type: none"> <li>• Newspaper advertising includes display space (purchased by column centimetre i.e. number of columns x length of advertisement in centimetres required), classified (text listings) and inserts (flyers, catalogues and pre-printed and bound news magazines e.g. Canvas, Viva, Timeout).</li> <li>• Generally seen as an informative media, good for providing authority and credibility to brands through its association with newsworthy editorial.</li> <li>• Popular for immediacy or call to action messages such as sales promotion. Both display advertising and inserts provide an alternate to unaddressed mail, with the advantage of being 'invited into the mailbox'.</li> <li>• Offer coupon capability and typically delivers very fast redemption rate, similar to offerings found in unaddressed FMCG and retail flyers.</li> <li>• Generally considered excellent for sales promotions and customer acquisition and promoted as read by many with an interest in receiving retail advertising.</li> <li>• Key attributes of newspaper inserts specifically are: <ul style="list-style-type: none"> <li>• reach a large number of households;</li> <li>• can access households displaying "no circular" signs;</li> <li>• can be targeted to specific demographic areas;</li> <li>• used predominantly for sales promotion and customer acquisition;</li> <li>• can convey a large amount of information to the consumer;</li> <li>• consumer can choose time and place to read;</li> <li>• can be delivered on a single day/choice of days;</li> <li>• ability for "solus" i.e. exclusivity;</li> <li>• perceived implied endorsement from the newspaper;</li> <li>• inserted mailers arrive in good condition safely housed inside the newspaper;</li> <li>• inserts generally accepted as part of the newspaper and 'invited into the home';</li> <li>• reliable delivery.</li> </ul> </li> <li>• While most community newspapers have manual inserts a number of larger daily newspapers now have automated insert capability.</li> <li>• Most display advertising has a relatively short shelf life, although</li> </ul>

Advertising channel	Key characteristics
	<p>inserted flyers and inserted magazines enjoy a longer shelf life.</p> <ul style="list-style-type: none"> <li>• Inserts are charged at a cost per thousand inserts and are usually available 5-6 days of the week.</li> <li>• Newspapers strive for total market coverage – the Newspaper Advertising Bureau represents the top 25 newspapers across New Zealand and provides metropolitan (MetPak) and regional (RegionalMax) display advertising packages that group local newspapers into national buys. It also offers a national or regional insert buy and will mix and match daily newspapers to suit the advertisers' requirements.</li> <li>• High degree of local household penetration and some flexibility in delivery options e.g. it is possible to segment newspaper insert deliveries from national coverage through linking across daily newspaper circulations to very narrow geographic areas, down to individual vendor delivery level.</li> <li>• Heavy clutter in display advertising; therefore, positioning and size of the advertisement are important – Section A and Front of Section are most popular and a premium is charged for these positions.</li> <li>• In-paper advertising delivers variable colour reproduction and it is difficult to achieve consistency. This is improving due to recent investment in new colour printing presses. Insert revenue and volume is also understood to have grown over recent years due to growing demand for high quality, glossy and quality colour reproduction of brand information and the opportunity to expand into new revenue areas, targeting revenue from unaddressed mail and magazines e.g. Canvas magazine is able to target cosmetics advertising revenue more effectively with its editorial content and colour layout vs common display advertising within the paper. Supermarkets, furniture stores and other retailers are users and regularly switch between newspaper display advertising, inserts and unaddressed mail.</li> <li>• Attachments such as 3M stickers (e.g. “don't forget to buy lotto ticket”) and wraps (where the outside of the paper is either wrapped in plastic or inserted within an advertisers masthead (e.g. Sunday Star Times American Express) are developing as additional opportunities to drive premium revenue.</li> <li>• Difficult to build frequency (due to cost of production and logistics).</li> <li>• A premium is also paid for positioning vs run of paper placement and colour or spot colour over black and white. Advertising rates differ by newspaper – see <a href="http://www.nabs.co.nz">www.nabs.co.nz</a> to view ratecards.</li> </ul>
Unaddressed Mail	<ul style="list-style-type: none"> <li>• Includes – leaflets, brochures, catalogues, couponing and samples.</li> <li>• Similar to newspaper inserts in type and style of advertising (acquisition, sales promotions).</li> <li>• Can be used to accomplish a variety of marketing objectives: to sell products or services directly; generate interest for new products; product qualified sales leads; and generate store traffic.</li> <li>• Production costs for mass distribution can be significant.</li> <li>• Difficult to build frequency (due to cost of production and logistics).</li> <li>• Key attributes of unaddressed mail specifically are: <ul style="list-style-type: none"> <li>• reach a large number of households;</li> <li>• <b>no</b> access to households displaying “no circular” signs;</li> <li>• can be targeted to specific demographic areas;</li> </ul> </li> </ul>

Advertising channel	Key characteristics
	<ul style="list-style-type: none"> <li>• used predominantly for sales promotion and customer acquisition;</li> <li>• can convey a large amount of information to the consumer;</li> <li>• consumer can choose time and place to read;</li> <li>• can be delivered on a single day/choice of days;</li> <li>• difficult to guarantee timing of delivery.</li> </ul>
Magazines	<ul style="list-style-type: none"> <li>• Provide a high degree of audience selectivity through title selection.</li> <li>• Four colour reproduction in most cases.</li> <li>• Can select magazines with editorial content that provides a complementary environment for the product and lends prestige to the advertising.</li> <li>• Good for communicating detail.</li> <li>• High degree of authority and believability and can build and reinforce brand attributes through the environment it creates.</li> <li>• Demonstration and dramatisation are difficult to portray.</li> <li>• Generally, a high premium is paid for advertising space in metropolitan editions relative to most other local media options.</li> <li>• Early closing dates, which mean materials must be prepared well in advance. For the most part, alterations are not possible after the closing date.</li> <li>• Unlike broadcast media and newspapers, reach builds over time as magazines tend to have a long shelf life and are often passed from one person to another (up to six people or more depending on the type of magazine). Therefore responsiveness to the advertising is more gradual, and coupon redemption is slower.</li> <li>• The positioning of the advertisement may be near other advertising.</li> <li>• Magazine ads are generally sold as FP (Full Page); HP (Half Page) or 1/4P (Quarter Page) with prices ranging from \$2,000 to \$10,000 per page depending on the exclusivity of the magazine and its audience offering.</li> </ul>
Out of home media (billboards, bus stops, mobile media, ambient etc)	<ul style="list-style-type: none"> <li>• Painted displays, and painted displays with embellishments e.g. a board in the shape of a product, special lighting, or movement of a piece of the display.</li> <li>• Transit advertising on the inside and outside of buses and subways.</li> <li>• Very high reach and frequency among people who pass the display every day.</li> <li>• Market to market flexibility.</li> <li>• Possible to pinpoint coverage by section of a city e.g. selective placement of panels in close proximity to high traffic areas, near theme parks etc.</li> <li>• Very low CPMs (cost per thousand audience reached) against total potential audience impressions.</li> <li>• Excellent means of reinforcing a message sent in other media.</li> <li>• Background in nature, many other elements compete for the traveller's attention.</li> <li>• Length of message must be short. Therefore considered a supplementary rather than primary medium.</li> <li>• Availability of desired locations may be limited by zoning regulations.</li> <li>• Cannot deliver highly defined demographic target audiences efficiently because the medium is mass-structured.</li> <li>• General sell by traffic count (how many people drive past the sign each week).</li> <li>• Media costs for a regular sized billboard for a one month period range</li> </ul>

Advertising channel	Key characteristics
	between \$2,000-\$15,000 depending on locality and traffic count.
Telemarketing	<ul style="list-style-type: none"> <li>• Used often for research surveys.</li> <li>• Considered highly intrusive.</li> <li>• Some automated calling now takes place (recipient can hang up on voice recording if not interested in the offer).</li> </ul>
Direct (Addressed) mail	<ul style="list-style-type: none"> <li>• Includes addressed letters and promotional mail that are personalised; and billing enclosures; and expected to continue to rise as advertisers seek less waste and more measurability in their campaign management.</li> <li>• Relies on capture of customer data to create the mailing list – including name, address, purchasing history etc.</li> <li>• Direct mail is highly personalised, intimate, private and tactile in nature.</li> <li>• Every direct response advertisement is testable and measurable which means high accountability.</li> <li>• Audiences are pinpointed in highly defined ways.</li> <li>• High degree of selectivity, as desired.</li> <li>• Message not limited to a specific amount of space.</li> <li>• Mathematical models can be constructed to predict results.</li> <li>• On a mass basis, direct response can be costly.</li> <li>• The timing can be critical.</li> </ul>
Cinema	<ul style="list-style-type: none"> <li>• Provides a captive audience, especially for the youth market.</li> <li>• Generates a high impact (though relatively low reach).</li> <li>• Costs vary from market to market.</li> <li>• Creates strong message recall.</li> <li>• Can be used in conjunction with other promotional activities to create a brand experience outside of the traditional advertising platforms e.g. sampling.</li> <li>• Especially valuable for product launches.</li> </ul>
Interactive	<ul style="list-style-type: none"> <li>• Potentially the most current medium in terms of content and advertising delivery.</li> <li>• Web pages are delivered to one user at a time. This differs from broadcast, where in most cases everyone sees the same ad at the same time. On the web, different users can receive different advertisements at the same time (one-to-one advertising).</li> <li>• The internet is like broadcast in that it is temporally oriented: once you view a television or radio commercial, it is “gone” and so is a rotating banner ad. On the other hand, web sponsorships are more like print ads, usually incorporating a logo or ad permanently (at least for the length of the run) affixed to a page. A user can return again and again to see the same page and logo or ad.</li> <li>• Banner ads can be purchased by CPM (cost per thousand), per transaction, by performance, by duration (time period) or as part of a package. CPM rates are often higher than their broadcast counterparts, but internet ads offer greater opportunity to target than do television commercials, are less expensive to produce, and offer an interaction not common in broadcast television.</li> <li>• Internet ads are usually relatively easy and inexpensive to produce, provided that complicated animations and interactions are not part of the banner. Often ads are produced with elements that address the specific audience of a website or are targeted to a particular consumer’s actions or profile.</li> <li>• As the web has grown, it has become increasingly fragmented i.e. the audience has moved from concentration on a few key sites to dispersion across many. This makes it difficult to buy for reach of web</li> </ul>

Advertising channel	Key characteristics
	<p>users in general, and especially for users in a particular category e.g. sports, finance, women. It is becoming easier, however to control frequency – the number of times an ad is delivered to a particular computer – through the use of third party ad servers.</p> <ul style="list-style-type: none"> <li>• Third party ad servers such as Facilitate Digital offer a way to track the performance of the banner ads in a campaign. It is possible to measure how often an ad is clicked on (“click through”). This is often likened to a response to a direct marketing campaign but is really only a measure of interaction with an ad and not a user’s interest in a product. Currently, banner click through averages in the 2-4% range, and the rate continues to drop as the high irritation factor in pop-ups and proliferation of ads and spam on websites reduces their interest and value to the audience.</li> <li>• Unit placement and creative idea can impact click-through.</li> <li>• It is possible to limit the frequency with which an ad is delivered to a particular desktop through the use of “cookies”. Some demographic targeting of ads is possible.</li> <li>• Interactive media are held to a higher measurement standard than other mainstream media, where the imperfections of measurement are better accepted. Theoretically, the higher standard is warranted, as interactive is a highly measurable medium. However, ethical and technical issues often prevent us from realising ideal measurement execution and standards.</li> <li>• Standards in format differ by site, and not all sites accept multi-media advertisements. There are several banner sizes recommended by the Internet Advertising Bureau that most sites follow.</li> <li>• The web offers unique opportunities to advertise globally, nationally and locally. The Internet Advertising Bureau represents many of these sites and puts together plans on request.</li> <li>• Often a number of advertisers will appear on the same page. Positioning on a page and within the site can impact on the efficiency and effectiveness of an online campaign.</li> </ul> <p>Email marketing:</p> <ul style="list-style-type: none"> <li>• Permission based i.e. must have recipient approval to send.</li> <li>• Very low cost (2-5 cents per email sent).</li> <li>• Growing issues with spam and frequency of messages overwhelming senders.</li> <li>• Considered intrusive by home based recipients (business to consumer) – more welcome in business (business to business).</li> <li>• Easy to reject.</li> <li>• Intrusive – pop up banners can have high irritation factor.</li> </ul>
Other communications channels	<ul style="list-style-type: none"> <li>• In addition to these media, there are a number of other avenues by which an advertiser can reach a consumer. The point-of-sale provides an opportunity for an advertiser to draw attention to the brand in a variety of ways: display materials in stores; giveaway materials distributed through retail outlets; various advertising specialties e.g. coasters for use in bars, clocks with brand names on them, and any general signage that includes a brand name. Point of sale materials can be used to support either the basic brand identity or a short term promotion.</li> <li>• Also, one finds a great deal of promotional literature in-store – brochures, handout cards, and leave behind pieces. Some of these are the same as direct response pieces. Many however have a very specific function. Automobile catalogues provide the detailed specifications of each car model and are the places where consumers look to find this kind of information; print advertising rarely has room to provide it. Supermarkets also have freestanding coupon or sales pieces that shoppers pick up as they enter the market. Sometimes these are sent through the mail as well. Consumers are becoming</li> </ul>

Advertising channel	Key characteristics
	<p>accustomed to looking for this kind of literature in the store.</p> <ul style="list-style-type: none"> <li>• Thanks to the new technology, in some markets in-store media now includes such sophisticated items as video carts – shopping carts with computer displays providing animated visual messages showing store maps, item locations, recipes and nutrition information, as well as news and entertainment features. Video carts can also offer electronic paperless coupons (picked up by the store scanner) and promotional material at the exact aisle location of the advertised product. There are also carts with calculators mounted on the handle so the consumer can monitor their purchases, deduct coupons etc.</li> <li>• These high-tech innovations are all in addition to the more traditional in store media such as static signs above the aisles, back lit displays, bulletin boards that are used to distribute coupons and pamphlets, illuminated shelf-talkers, TV monitors showing the store's special offerings, in store radio announcements etc.</li> <li>• Event marketing associates a brand with specific sporting or cultural events, concert tours or concert stars, and international events such as the Olympics, Yachting, fashion etc. Advertisers are learning that these kinds of associations can have broad trade and consumer appeal when they are appropriately integrated into the full media marketing programme.</li> </ul>

**Sources: Applicants' views, based on McCann Media Handbook**



## ANNEX 7

## Advertising Industry Bodies and Associates

Organisation	Industry Members	Mission Statement	Contact Details
Advertising Standards Authority ("ASA")	Media organisations, including those from the Association of New Zealand Advertisers (Inc), Communication Agencies Association of New Zealand, Community Newspapers and the Interactive Advertising Bureau of New Zealand	<p>The functions of the ASA are to:</p> <ul style="list-style-type: none"> <li>• seek to maintain at all times and in all media a proper and generally acceptable standard of advertising and to ensure that advertising is not misleading or deceptive, either by statement or by implication.</li> <li>• establish and promote an effective system of voluntary self-regulation in respect to advertising standards.</li> <li>• establish and fund an Advertising Standards Complaints Board.</li> </ul>	<p><a href="http://www.asa.co.nz">http://www.asa.co.nz</a></p> <p>Ground Floor, 79 Boulcott Street, PO Box 10 675 Wellington</p> <p>Phone: (04) 472 7852</p>
Association of New Zealand Advertisers (Inc)	Various businesses operating in New Zealand and involved in the advertising industry	<p>ANZA represents businesses nationwide, addressing the issues raised by advertising and its regulations and dealing with the Government, media and advertising agencies. It aims to:</p> <ul style="list-style-type: none"> <li>• represent and protect the interests of advertisers.</li> <li>• minimise Government intervention with advertising regulation.</li> <li>• act as an arbiter or mediator in disputes arising from advertising transactions.</li> <li>• cooperate with other international and national bodies concerning the media and advertising for the benefit of the advertising industry.</li> </ul>	<p><a href="http://www.anza.co.nz/">http://www.anza.co.nz/</a></p> <p>Level 5 AMP Centre 29 Customs Street West Auckland 1010</p> <p>Phone: (09) 300 5932</p>



Organisation	Industry Members	Mission Statement	Contact Details
Communication Agencies Association of New Zealand ("CAANZ")	An industry association for advertising and communication agencies	CAANZ is committed to developing high ethical standards and best industry practices in advertising and marketing communication.	<a href="http://www.caanz.co.nz/v2/home.asp/">http://www.caanz.co.nz/v2/home.asp/</a> Level 1 1 Beaumont St PO Box 105 052 Ponsonby Auckland Phone: (09) 303 0435
Interactive Advertising Bureau Association ("IAB")	Open to companies that sell any form of interactive advertising, including online, email, wireless, interactive television or other emerging platforms	The IAB is an international affiliate organisation in over 20 countries which has led the drive for marketing online worldwide.  IAB NZ aims 'to foster world-leading standards and creativity by developing, innovating, educating and growing the interactive advertising industry in New Zealand.'	<a href="http://www.iab.org.nz/">http://www.iab.org.nz/</a>
Letterbox Media Association	PMP, LBC and Deltarg	The Letterbox Media Association was formed to undertake research into letterbox advertising and the unaddressed letterbox advertising medium to "prove that it is accountable, measurable and highly successful".	

Organisation	Industry Members	Mission Statement	Contact Details
Magazine Publishers Association ("MPA")	Magazine publishers	<p>The MPA aims to:</p> <ul style="list-style-type: none"> <li>• be the primary source of information and expertise on the magazine publishing industry for members, advertisers and the community.</li> <li>• increase magazines' share of advertising dollars, and readers' time and money.</li> <li>• support and promote MPA members and their publications.</li> <li>• represent the magazine publishing industry, and advocate on its behalf.</li> <li>• defend the freedom of the press.</li> <li>• promote New Zealand magazine publishers' excellence through New Zealand magazine awards.</li> </ul>	<p><a href="http://www.mpa.org.nz/">http://www.mpa.org.nz/</a></p> <p>409 New North Road PO Box 2778 Kingsland Auckland</p> <p>Phone: (09) 846 4653</p>
Newspaper Publishers Association of New Zealand (Inc) ("NPA")	All paid daily and Sunday newspapers are members of NPA	<p>The NPA is the trade association of the New Zealand newspaper industry.</p> <p>The NPA advises members and co-ordinates their interests in areas such as Government affairs, advertising standards, employee relations and human resource management, sponsorship, newsprint purchase and supply.</p> <p>The NPA is the umbrella organisation for commonly owned newspaper industry service providers (including NAB, NZPA, NZPA Content Services and the PMCA (see below)).</p>	<p><a href="http://www.npa.co.nz">http://www.npa.co.nz</a></p> <p>Level 2, 93 Boulcott Street PO Box 1066 Wellington 6015</p> <p>Phone: (04) 472 6223</p>

Organisation	Industry Members	Mission Statement	Contact Details
Newspaper Advertising Bureau ("NAB")	NAB represents 25 daily newspapers in all four metropolitan newspapers, twenty regional dailies, and two paid circulation non dailies	<p>The NAB is the sales and marketing arm of the daily newspaper industry in New Zealand.</p> <p>The NAB has many functions, but its main objective is to:</p> <ul style="list-style-type: none"> <li>• act as a link between advertising agencies, clients and member newspapers.</li> <li>• promote newspapers as an advertising medium and help advertisers plan and implement newspaper campaigns.</li> <li>• build strong business partnerships and provide a service that is personal, integrated and effective.</li> </ul>	<p><a href="http://www.nabs.co.nz">http://www.nabs.co.nz</a></p> <p>Head Office 8 College Hill PO Box 2941 Auckland 1015</p> <p>Phone: (09) 361 2710</p>
The New Zealand Marketing Association ("NZMA") (Formerly the New Zealand Direct Marketing Association.)	New Zealand business organisations	<p>NZMA's purpose is to:</p> <ul style="list-style-type: none"> <li>• encourage and develop the highest standards of measurable marketing in New Zealand.</li> <li>• assist members to understand consumer and business customer needs and concerns regarding direct/interactive marketing, and to confirm that members respect and act on those needs and concerns.</li> <li>• promote a self-regulatory environment with government, legislators and other stakeholders, and uphold to all Marketers the Codes of Practice adopted by the Marketing Association and the Advertising Standards Authority.</li> </ul>	<p><a href="http://www.marketing.org.nz/index.php/">http://www.marketing.org.nz/index.php/</a></p> <p>Level 1 61 Wellington Street Freemans Bay PO Box 47681 Ponsonby Auckland</p> <p>Phone: (09) 361 7760</p>

Organisation	Industry Members	Mission Statement	Contact Details
The New Zealand Press Association ("NZPA")	All newspapers	<p>The NZPA is New Zealand's largest national news agency. It is owned by the country's daily newspapers and supplies them with a 24-hour national and international news service.</p> <p>The service is provided by a data link from NZPA's main newsroom in Wellington. The NZPA newsroom sends out approximately 1000 different pieces of information every 24 hours, compiled from the news resources of its own staff, the daily newspapers, overseas wire services and other sources like The New Zealand Stock Exchange.</p>	<p>Level 1, 93 Boulcott Street PO Box 1599 Wellington 6015</p> <p>Phone: (04) 472 7910</p>
New Zealand Television Broadcasters Council ("NZTBC")	Members are CanWest TVWorks, Television New Zealand and Maori Television.	The New Zealand Television Broadcasters' Council is an industry organisation representing the non-competitive interests of free-to-air television broadcasters in New Zealand.	<p><a href="http://www.nztbc.co.nz/index.html/">http://www.nztbc.co.nz/index.html/</a> NZ Television Broadcasters' Council PO Box 68032 Newton 1145</p> <p>Phone: (09) 379 2421</p>
Outdoor Advertising Association of New Zealand ("OAANZ")	Outdoor media organisations	<p>OAANZ aims to:</p> <ul style="list-style-type: none"> <li>• provide the industry with a voice to positively enhance Outdoor in the media mix.</li> <li>• provide a forum whereby the industry operators can constructively discuss self regulation, industry co-operation and other issues.</li> </ul>	<p><a href="http://www.oaanz.org.nz/about.html/">http://www.oaanz.org.nz/about.html/</a> PO Box 46 013 Auckland New Zealand</p> <p>Phone: (09) 360 4014</p>

Organisation	Industry Members	Mission Statement	Contact Details
Radio Bureau	Commercial radio industry.	<p>The Radio Bureau represents New Zealand's commercial radio industry at a national level and provides a single-source solution for national advertisers.</p> <p>Its Stated Vision is <i>"Excellence in radio representation by providing effective and impartial planning, as part of a complete and easy radio solution"</i>.</p>	<p><a href="http://www.trb.co.nz/">www.trb.co.nz/</a></p> <p><b>Christchurch</b> Level 1, 71 Armagh Street PO Box 1023 Christchurch</p> <p><b>Wellington</b> Level 1, Tech Rental House 209 Victoria Street PO Box 2079 Wellington</p> <p><b>Auckland</b> Level 4, Textile Centre Kenwyn Street Parnell PO Box 8049, Symonds Street Auckland</p>
Radio Broadcasters' Association (sister organisation to Radio Bureau)	Commercial broadcasters	<p>The Radio Broadcasters' Association aims to</p> <ul style="list-style-type: none"> <li>• maintain high standards of commercial radio broadcasting in New Zealand and to represent the commercial radio industry to its many partners and stakeholders within government, business and the community.</li> <li>• work with the New Zealand Music industry - currently towards voluntary local content targets of 20%.</li> <li>• work with Local Communities - commercial radio stations in centres throughout New Zealand support countless community activities and events.</li> <li>• work with education and training providers.</li> <li>• work with the advertising industry and co-ordinate radio audience research.</li> <li>• work to promote radio broadcasting excellence - we organise the annual NZ Radio Awards.</li> <li>• work on the development of advertising and broadcasting standards and industry self-regulation.</li> </ul>	<p><a href="http://www.rba.co.nz/">http://www.rba.co.nz/</a></p> <p>Level 4, Textile Centre Kenwyn St PO Box 3762 Parnell Auckland</p>

**ANNEX 8**

**[CONFIDENTIAL]**