



Submission to
The Commerce Commission on the Proposed Merger of
NZME and Fairfax

From the
Communication Agencies Association of
New Zealand (CAANZ)

September 2016

1.0 Introduction

- 1.1 This submission is from the Communication Agencies Association of New Zealand (CAANZ), 60 Parnell Road, Auckland (www.caanz.co.nz). The contact person is Paul Head, Chief Executive: email paul@caanz.co.nz - phone (021) 574 062.

2.0 About the Communication Agencies Association of New Zealand

- 2.1 CAANZ is an incorporated body representing the interests of members on issues affecting the advertising industry and agencies. There are 90 member agencies, which collectively represent 95 percent of agency billings in New Zealand, with a combined turnover well in excess of \$2 billion.
- 2.2 The CAANZ mandate is to:
 - Lobby on behalf of members
 - Future-proof agencies via training and professional development
 - Recognise and promote industry and agency achievements
- 2.3 CAANZ is an expert in the field of advertising and it is an advocate for the important role advertising plays in any modern consumer society and we acknowledge the influence of advertising as a change agent in society and the need for ethical behaviour to govern the execution of that influence.
- 2.4 Approximately 2,600 people are employed in New Zealand advertising agencies. Advertising activity contributes to the employment of approximately 10,000 people in the publishing, radio and television industries.
- 2.5 Advertising plays an important role in the New Zealand economy. Advertising informs consumers about the range of goods and services available in the market place. Without such information, it would be difficult to discern between products or decide when to buy and what is available at a particular price point.

We believe that strong local media are critical to deliver the economic benefits that advertising provides consumers, businesses and the broader economy and society

See more at: www.caanz.co.nz

3.0 Purpose of this submission

CAANZ supports the proposed merger of NZME and Fairfax:

- a) In a media environment that is increasingly global, where consumers can access media platforms from around the world, it is important that New Zealand maintains strong, viable media organisations that have the scale to survive in the face of threats from off-shore organisations.
- b) CAANZ's view is that the merger will be positive for advertisers and agencies through the creation of a New Zealand-focused media entity that can offer a compelling, high-quality, data rich, and brand-safe environment for advertisers on a sustainable footing.

- c) In particular, in a market environment where print newspapers are struggling and digital advertising takes place in a global marketplace, CAANZ sees the creation of an entity that can sustainably offer print products and compelling digital advertising alternatives as an attractive media partner for advertisers and agencies to reach their audiences as effectively as possible.

Members of CAANZ have previously written on the benefits to advertisers and agencies from media consolidation in an increasingly cluttered media environment, see: [The Good News On Media Consolidation](#).

CAANZ has is aware of submissions made in opposition to the proposed merger of Fairfax and NZME, as they relate to advertising, and thought it would be helpful to send this submission to the Commission to clarify how the agency buying model works. We believe we are the best qualified to comment on this particular aspect of the proposed merger.

4.0 How the agency buying model works

Historically, advertising agencies typically tried to design campaigns using a media mix across different “channels” (i.e. TV, internet, radio, print, outdoor). This meant, while there was some substitutability across channels, agencies also saw different channels as complementary to one another.

That historical / traditional agency buying model has changed. Instead of briefing by channel, agencies now brief by total audience objective. Agencies now work together with media suppliers to achieve client business solutions based on achieving a "total audience objective". Advertisers / agencies are increasingly agnostic as to the channels used, as long as the client challenges / total audience objectives are met. This means that the lines of media buying, where an advertiser would choose “above-the-line” options like TV, print, radio, magazine, cinema, and “below-the-line” options of direct mail, experiential, native content, and sampling, are now blurred. There is increasing fluidity and interaction, not only between the various channels but also between “above-the-line” and “below-the-line” options. Responses to an advertiser's brief / total audience objective can include social media, online sampling, outdoor (digital and static), user-generated content, etc., and can include a range of paid, earned and owned media channels.

This means a media supplier's response to a brief is led, not by one single channel but by a multi-channel approach to engage with the target audience and deliver the client's objectives. It also means that agencies' criteria when choosing the media mix is related to audience reach, content generation, and cost efficiencies in achieving the total audience objective (potentially across multiple media channels) rather than being driven by pricing considerations of a single media channel or competitive options within that single narrow media channel (given there are numerous channels competing to deliver that total audience objective).

Agencies will consider their options in achieving those total audience objectives in the most efficient way possible. This may include considering single channel offerings that fulfil the required client brief, combinations of offerings of media suppliers across channels, or media suppliers that can offer multi-channel solutions and efficiencies. Advertising agencies add value to their clients' campaigns by sourcing across, or within, media suppliers' offerings to most efficiently and effectively achieve the total audience objective.

To that end, CAANZ does not see, for example, print advertising as a unique advertising channel which only competes against other print advertising options. Rather, print advertising is one option amongst

many increasingly fluid options, to achieve the total audience objective on behalf of advertisers. While certain audience demographics may have a greater disposition to print advertising than digital, that audience is rapidly adopting a broader range of media in their consumption patterns with the increasing prevalence, reach, and targeted-effectiveness of digital media alternatives. In that context, CAANZ is increasingly seeing advertising clients choosing to expand beyond or switch entirely out of print advertising channels where they / their agencies consider that they can most effectively reach their total audience objective through alternative media channels. The historical view of wanting a "foot in each channel" has disappeared - advertisers and agencies are now far more sophisticated in tailoring and targeting their advertising spend across (or potentially within) channels to achieve the most effective and efficient advertising outcome.

That targeted, sophisticated, data-led, and results-driven approach to advertising has significantly benefited advertisers and increased the competition between media channels. In that context, and given the proliferation of media options now available to advertisers, CAANZ considers that the creation of a New Zealand-focused media entity that can offer a compelling, high-quality, data rich, and brand safe environment for advertisers on a sustainable footing will be an attractive media partner for advertisers and agencies to reach their audiences as effectively as possible.

In particular:

- a) The enhanced ability of the merged entity to manage its legacy print media may mean that the channel is retained for advertisers as an alternative option for a longer period than it might otherwise be; and
- b) The data analytics of the merged entity will assist advertisers and agencies in creating campaigns that most effectively and efficiently reach the total audience objective, as well as its enhancing its attractiveness as an alternative option to the powerful data analytics of global heavyweights such as Google and Facebook.

I would be happy to answer any questions the Commission may have in relation to this submission.

Regards,



Paul Head
Chief Executive
CAANZ